STRUCTURAL CHANGE AND INDUSTRIAL DECLINE: THE CASE OF BRITISH TEXTILES

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Abstract

This thesis explores the structure of international competition in the textile industry and the industry's development within the British context. The strategies of the three multinational corporations which dominate the British industry are analysed in detail. The method of investigation has involved an examination of both primary and secondary material on the industry. Two case studies of plant level restructuring were based on a series of interviews with management, trade union officials, and workplace union representatives at two of Courtaulds' textile plants.

The analysis of the industry raises several problems with the existing theoretical literature. These concern the lack of a developed, integrated perspective on international structural change and uneven development, and, in particular, the manner in which analytical categories are elaborated to mediate between these different levels of analysis. The thesis demonstrates that the complex dynamics of restructuring and sectoral decline can only be understood in terms of a matrix of international structural forces, and a national configuration of social and economic relationships.

The first chapter introduces a range of theoretical perspectives on international structural change and industrial decline. Section A analyses the international dimensions of change in the industry and the complex social and economic forces underlying the process of internationalisation. Section B outlines the performance of British textiles and clothing since the 1970s, and discusses a number of competing explanations of the industry's long term decline and current development. Section C investigates the international activities of three British textile multinational corporations, their domestic strategies and the changing balance between their national and international interests. An examination of restructuring at two of Courtaulds' textile plants involves an analysis of the implications of industrial change for social relationships at workplace level.

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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific Countries
ASEAN	Association of Southeast Asian Nations
ATWU	Amalgamated Textile Workers' Union
BRITE	Basic Research in Industrial Technologies for Europe
BTC	British Textile Confederation
BTEF	British Textile Employers' Federation
CAD/CAM	Computer Aided Design/Computer Aided Manufacturing
CMEA/ COMECON	Council for Mutual Economic Aid
CPE	Centrally Planned Economy
DC	Developed Country
EC	European Community
ECU	European Currency Unit
EDC	Economic Development Committee
EEC	European Economic Community
EFTA	European Free Trade Area
EIU	Economist Intelligence Unit
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
FT	Financial Times
FTZ	Free Trade Zone
GATT	General Agreement on Tariffs and Trade
GFTU	General Federation of Trade Unions
GLC	Greater London Council
GMBU	General, Municipal and Boilermakers Union
ILO	International Labour Organisation
IMF	International Monetary Fund
ITGLWF	International Textile, Garment and Leather Workers' Federation

ITS	International Trade Secretariat
KEDC	Knitting Economic Development Committee
KIF	Knitting Industries Federation
LDC	Less Developed Country
LTA	Long Term Arrangement on Cotton Textiles
MITI	Ministry of International Trade and Industry
MFA	Multi Fibre Agreement
MNC	Multinational Company
MNE	Multinational Enterprise
NEDO	National Economic Development Organisation
NIC	Newly Industrialised Country
NIDL	New International Division of Labour
NJIC	National Joint Industrial Council
NUHKW	National Union of Hosiery and Knitwear Workers
NUTGW	National Union of Tailor and Garment Workers
OECD	Organisation for Economic Cooperation and Development
TES	Temporary Employment Subsidy
TGWU	Transport and General Workers' Union
TNC	Transnational Corporation
TOI	Textile Outlook International
TUC	Trades Union Congress
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organisation

Chapter One: Structural Change and Industrial Decline

1.1 Introduction

The analysis of the textile industry presented in this thesis initially stemmed from an interest in the process of industrial restructuring, and in particular, the impact of technological change on work organisation and the formulation of union strategies to new technology. By investigating the implementation of new technology at two textile plants, the purpose was to analyse the dynamic recomposition of social relationships and the division of labour rather than to document in detail the implications of technological change for the structure of collective bargaining. These themes, however, were rapidly overtaken by a set of broader issues. As a result of research into the dynamics of change in the textile industry, it became clear that plant level restructuring was a concrete manifestation of more abstract economic and social forces. The objective of the following analysis is therefore to disentangle and reveal the complex economic imperatives shaping the strategies of the three leading producers in the British industry.

The integration of developing countries into the world economic system, as indigenous producers and as investment sites for multinationals, has had profound implications for the manufacturing industries of developed countries. Since the 1960s the British textile industry, like all other national textile industries, has been affected by an international restructuring of production and employment in

which the location of textile production has shifted systematically away from the developed to the developing countries. It is therefore no coincidence that the British textile industry has become progressively internationalised with the three leading manufacturers (Courtaulds, Tootal and Coats Viyella) having an extensive network of foreign subsidiaries as well as involvement in overseas subcontracting arrangements.

These observations, however, beg a series of much larger questions. Can an analysis of these international structural changes generate an adequate explanation of the precise development of the industry in the British context, the degree and character of its internationalisation or the specific responses of the leading producers in the present period of the industry's reorganisation? Do these international economic forces in themselves explain the evolution of British textiles as a low wage, low productivity industry or its relative decline in relation to other national textile industries?

The central argument of this thesis is that the complex nature of the industry's development and its particular location within the world textile industry cannot be simply deduced from an analysis of international structural change. Although international economic forces have impinged on the development of British textiles, the industry is also firmly embedded within a national terrain of economic and social institutions and structures which have interacted to shape the character of the industry and the responses of the

leading producers in particular ways. Whilst the leading multinationals are an institutional manifestation of the internationalisation process and are thus part of a more general concentration and centralisation of capital on a world scale, they also operate within a national context.

Multinational corporations adapt their competitive strategies (and the character and extent of their internationalisation) to particular national circumstances. The present predicament of the industry can therefore only be understood in relation to the complex interplay of international structural change and the peculiar configuration of national economic and social forces which have collectively shaped the industry's development and long term decline. The textile industry, then, is a concrete exemplar of two distinct processes, the progressive internationalisation of manufacturing industry and Britain's relative industrial decline.

The empirical analysis of the textile industry is thus an exploration of the dialectical relationship between international and national economic forces. As discussed below, these two dimensions of industrial change and development have often been analysed quite separately and have spawned two self contained strands of theoretical literature. The conventional partitioning of theoretical debate has centred around analyses of worldwide structural change and the internationalisation process on the one hand, and Britain's long term relative economic decline on the other. But this polarisation has produced conceptual

problems inherent in both sets of literature. The literatures in question are referred to below under the headings of 'New International Division of Labour', 'Regulation Theory', and the 'National Dimension'. By engaging with these approaches the aim is to present a more integrated view of the dynamics of industrial restructuring. How then do these literatures conceptualise the complex relationship between international and national economic forces?

1.2 Internationalisation and 'new divisions of labour'

The world economy has become increasingly integrated over the post war period and this is intrinsically related to the expansion of transnational corporations. From 1945-60 there was an unprecedented growth in the activity of manufacturing multinationals, led by the USA, although since the 1960s, European and Japanese firms have been growing at a faster rate. NICs are one particular institutional manifestation of the internationalisation of capital, or as Jenkins (1987:11) puts it:

> 'the process by which an increasingly integrated capitalist economy has developed and by which capital has become ever more global in its operations.'

This ensures that economic crises and periods of structural dislocation assume a global character and that manifestations of crisis are transmitted to all national economies. Conversely, the economic and social reorganisation of individual nation states occurs within an international context and is closely determined by structural changes operating at a global level.

Two distinct, but interrelated perspectives, - termed neo-Smithian and neo-Ricardian by Jenkins (1984) - conceptualise the structural transformation of the world economy as a new international division of labour. The first of these perspectives is exemplified by Frobel, Heinrichs and Kreye's research conducted in the 1970s. They draw upon Wallerstein's (1974) concept of the world economy as an integrated system and argue thus:

> '... national economies are organic elements of one all-embracing system, namely a world economy which is in fact a single worldwide capitalist system...the structural changes in individual national economies are interrelated within this single world economy.' (1980:8)

The major manifestations of structural disorder in the developed economies, such as de-industrialisation, unemployment, and stagnating domestic investment, are connected to the formation of a new international division of labour (Frobel, Heinrichs and Kreye 1980:47). A new stage of imperialist development has superceded the classical international division of labour based on the integration of LDCs into the world economy as importers of manufactured products from developed countries and as exporters of raw materials. LDCs are now being integrated into the world capitalist economy in a significantly new way, as centres of production, particularly for the export of manufactured products and as sources of 'cheap' labour power. Frobel, Heinrichs and Kreye (1980) emphasise changes in the world market, particularly the construction of a world market for labour and production sites, and industrial products as the determining factor in bringing about the new international division of labour. The internationalisation of production

since the 1960s is a classic manifestation of fundamental structural changes characterising the world economy. It can be attributed to the tendency of multinationals to relocate production out of high wage economies into countries where there is a plentiful supply of cheap labour.

Manufacturing plants producing for the world economy can be profitably situated in developing countries for three main reasons. Firstly, the use of capital intensive methods of production in agriculture in the Third World and the displacement of rural labourers has generated a vast global reservoir of labour power which is cheap and available for any kind of waged work. Secondly, the intensive development of the division of labour and the fragmentation of production processes has made it possible for most sub-processes to be performed by unskilled workers after brief training periods. Hence, the most deskilled, labour intensive parts of a production process can be relocated to areas of the world economy with abundant supplies of cheap labour. Thirdly, the development of transportation and communications technology has enabled capital to be mobile on a global basis. These phenomena have meshed with the profit orientated behaviour of capital which has led to industrial relocation to the cheap labour countries of the Third World.

Jenkins, following Brenner (1977) characterises this type of approach as 'neo-Smithian' (Jenkins 1984:29) because of the parallels with Adam Smith's arguments concerning the onset of industrialisation in Britain. In the context of the new

international division of labour, the effects of the development of transport on the size of the market and the consequent division of labour, have constituted a world market for labour power and production sites, as well as for industrial products (Frobel, Heinrichs and Kreye 1980:178).

The emphasis on the intensification of the division of labour and the fragmentation of the production process has led some theorists (eg. Elson 1986a) to argue that Frobel, Heinrichs and Kreye (1980:41) conceptualise the new international division of labour as the application of the Babbage principle on a world scale. To Frobel, Heinrichs and Kreye:

> 'Babbage's principle - a fundamental expression of the capitalist laws of motion - calls for the maximum replacement of skilled labour in order to attain a reduction in labour costs. It is implemented through the world-wide organised allocation of the elements of the production process to the cheapest or most adapted labour force which can be found.' (1980:41)

The fragmentation of the labour process into its component parts, cheapens labour because the majority of tasks are rendered simple and repetitive and can be undertaken by workers with minimum levels of skill. It also enhances managerial control over labour because workers no longer have strategic knowledge of the entire production process and are easily replaceable and disposable. In fact, Frobel, Heinrichs and Kreye (1980:45) explicitly use the term the new international division of labour to describe a tendency which not only undermines the classical international division of labour, but also:

> 'compels the increasing subdivision of manufacturing processes into a number of partial operations at

different industrial sites throughout the world.'

The new international division of labour is therefore conceptualised as an 'institutional' innovation of capital, and is not the result of changes in the development policies of Third World states, or the strategies of transnational corporations (1980:46).

A second variant within this general framework, characterised as 'neo-Ricardian' by Jenkins (1984:30), views capital relocation and the new international division of labour not as a cause of crisis in the 'centre' but as a response to falling profitability which has bedevilled developed capitalist countries. This squeeze on profits is attributed to the secular rise in the strength of organised labour during the post war period which has made it difficult to maintain the profit rate through increasing the rate of exploitation. Working class strength has allegedly grown with the concentration of the working class and capital (Arrighi 1978) and as a result of the post war boom which seriously eroded the pool of unemployed workers (Frobel 1982). The relocation of capital to the Third World is therefore a rational strategy, given the wage differential between the centre and the periphery and the relative political and industrial weakness of the working class in the Third World (Arrighi 1978).

Cowling (1986:24) has taken up this line of reasoning. Multinational capital is conceptualised as 'footloose' and 'nomadic' driven by a desire to minimise costs whilst maintaining and enhancing market control. Relocation is a

rational response to rising labour costs, improvements in communications and transportation, the development of flexible production technology and the diffusion of the multi-divisional organisational structure. The result is:

> 'an international transmission mechanism for production, investment, and jobs....largely adopted for distributional reasons...Whenever workers act to raise wages, or control the intensity or duration of work, they will lose their jobs to other groups of less well organised and less militant workers in other countries.' (1986:35)

These debates are directly relevant to any analysis of the textiles and clothing industry. Frobel, Heinrichs and Kreye (1980), in particular, make clear connections between structural unemployment in the West German textile and clothing industries, the export oriented industrialisation strategies of LDCs, and the relocation of production by West German companies to lower waged countries. Thus, a central objective of this study is to explore how far the progressive internationalisation of the industry can be exclusively related to the search by multinational corporations for lower waged labour, and whether such an explanation provides us with an adequate understanding of the involvement of LDCs in the world textile industry.

1.3 The Regulation Approach

Regulationist theories focus primarily on the mechanisms of 'regulation' of national economies and the establishment and eventual disintegration of hegemonic modes of accumulation which envelop a range of countries. The international capitalist economy is shaped by the relationships between these individual economies rather than by a 'supranational'

world system which determines the development of national economies.

For regulationist analysis (Aglietta 1979, 1982), each historical period of capitalist development is characterised by a specific mode or form of regulation denoting:

> 'the way in which a system as a whole functions, the conjunction of economic mechanisms associated with a given set of social relationships, of institutional forms and structures' (Boyer 1979:100).

Such periods are characterised by an institutional stability underpinned by relatively enduring mechanisms of regulation in terms of wages, employment, technology, labour process, price formation and mode of consumption.

A regime of accumulation refers to particular relationships between production and consumption in different historical conjunctures. For Lipietz (1987:14) it describes the 'long term stabilisation of the allocation of social production between consumption and accumulation' and is introduced by Aglietta (1979:68) as an intermediate concept to analyse - not rigidly periodise - the history of American capitalism. A given regime of accumulation and certain forms of regulation stabilise at the same time because they allow social relations to be temporarily reproduced despite the conflictual tendencies characteristic of capitalism.

A regime may be primarily extensive or intensive, depending on whether capital accumulation is a means to expand the scale of production or to further capitalist reorganisation of labour by increasing productivity through rapid advances in the mechanisation of production. An extensive regime of

accumulation characterises a historical period in which absolute surplus value extraction is the predominant mode of exploitation based on either the lengthening of the working day or the intensification of labour. An intensive regime of accumulation is characterised by the predominance of relative surplus value based on rising labour productivity which cheapens wage goods and makes possible a reduction of the necessary labour time devoted to the production of their equivalent. A regime of accumulation is associated with a schema of reproduction (cf. Lipietz 1987) which designates the allocation of labour and distribution of products between different departments of production (capital and consumption goods) over a certain period of time.

Crises break out because of a divergence between the existing mode of regulation and regime of accumulation. This may happen because the emergence of a new regime is held back by outdated forms of regulation (crisis of 1930) or the existing regime of accumulation has been exhausted given the prevailing mode of regulation (the present crisis) (Lipietz 1987:34). Regulationists therefore do not prioritise any one single cause of crisis but emphasise multiple factors, including fluctuations in the profit rate; underconsumption; overaccumulation, sectoral imbalances etc. (cf. Mazier 1982). Crises are however viewed as historical turning points or creative ruptures in the continuity of the reproduction of economic and social relationships which lead to their restructuring in new forms.

Regulationists argue that the current structural transformation of the world economy is related to the demise of Fordism. A regime of intensive accumulation - Fordism - denotes a system of mass commodity production which facilitated the 'continual adjustment of mass consumption to rises in productivity' (Lipietz 1987:35). It triggered off a period of continuous economic growth from 1945 to the mid 1960s. This stable environment for capital accumulation was based on the diffusion of Taylorist work organisation and assembly line production methods. The mechanisation of the labour process facilitated sustained rises in productivity matched by increases in the purchasing power of wage earners. The establishment of a Fordist regime of accumulation was underpinned by a new regulatory system. 'Monopolistic' regulation - as Lipietz (1987) terms it - was associated with the extension of the welfare state, the regulation of wage relations through collective bargaining, corporatist arrangements between the representatives of the state, industry and labour, and economic intervention by governments through Keynesian demand management policies.

Fordism was diffused at an international level through the medium of American economic and political supremacy which culminated in the Marshall and MacArthur Plans, the Bretton Woods Agreements, and the establishment of institutions such as GATT, IMF, the World Bank and the OECD. Third World countries - or the 'periphery' - were integrated into the world economy as exporters of raw materials. Lipietz (1984:99) points out that in the mid 1960s, at the height of the Fordist regime of accumulation, the importance of the

periphery in world trade for manufactured goods was negligible.

The disintegration of Fordism began in the late 1960s and was manifested by a general slowdown in the growth of manufacturing output, rising unemployment and the emergence of inflation. Many Regulationists argue (Aglietta 1979, Lipietz 1987:44, Mazier 1982) that the primary factor underlying the crisis was the technical limits of the Fordist labour process. Aglietta (1979:119) stresses that assembly line production eventually limits the rise in the rate of relative surplus value. The greater the extent of task fragmentation and automation of the labour process, the costlier is any subsequent intensification of output due to escalating capital costs. The increasing complexity and large scale specialisation of machines designed for scale economies induced imbalances and slowed down productivity growth, with a rising coefficient of per capita fixed capital. The 'technical rigidity of the machine system', (Aglietta 1979:119) therefore shattered the hitherto dynamic equilibrium of the two departments, and produced profound disharmony between the spheres of production, exchange and distribution.

The crisis of Fordism was associated with profound changes in the international economy, notably the growing internationalisation of production, pressing external constraints on national economies which produced chronic balance of payments problems, breakdown of the international monetary system and changes in the nature of integration of

the Third World into the world economy. Lipietz (1987:99) situates the new international division of labour in the context of the emergence of the crisis of Fordism in the 'centre'. In response to falling rates of profit, the national boundaries of Fordist accumulation had to be transcended so that new sources of surplus value could be located, notably, in the newly industrialising countries (NICs).

Two significant logics underpinned the expansion of Fordism's geographical base and have informed the accumulation strategies of the NICs. The first of these logics is termed 'primitive Taylorisation' by Lipietz (1987:74), which involves the transfer of deskilled labour processes to Third World states characterised by high rates of exploitation. Productivity increases are generated by increases in the extraction of absolute surplus value, mainly through the lengthening of the working day. The South East Asian NICs (Hong Kong, Singapore) initially pursued a 'primitive Taylorisation' strategy in a number of industries, notably, textiles and electronics (Lipietz 1984:100).

The second logic - 'peripheral Fordism' - characterises the attempt by a number of NICs to improve the technical level of their exports. This is associated with demands for rising wages, mechanisation of the labour process and an expanding market for consumer durables. The diffusion of Fordism to Third World economies is peripheral because the jobs and production processes which involve skilled manufacturing and

engineering are still mainly located in the developed economies.

But what about a possible resolution of the crisis? Is there an emerging new regime of accumulation or mode of regulation? Although many regulationists are cautious about producing definite prognoses concerning the future shape of a post Fordist regime of accumulation certain economic trends have been identified which may constitute the basis of a new mode of production and consumption sufficient to initiate an expansionary wave of capital accumulation. For example, Murray (1985, 1987) has argued that we are witnessing the emergence of neo/post Fordism characterised by the production of specialised goods for segmented markets. It is based on an integrated production system which radically reduces the optimum scale of production by systematically connecting design, manufacturing, stock control, marketing and retailing through the extensive deployment of information technologies and the diffusion of organisational innovations such as just-in-time production systems (1985:29). Other writers (Aglietta 1979, Jessop 1988) argue that neo-Fordism is associated with a restructuring of the institutional forms of the state, involving the breakdown of corporatist relationships between the state, industry and organised labour, and the commercialisation and privatisation of a wide range of collective services previously organised by the Fordist welfare state.

Post-Fordism has not, however, initiated one single hegemonic growth model, with Japanese, American and European models in competition. Structural dislocation at the international level has generated a 'tripolar global configuration' (Lipietz 1987) with one major pole importing products and monopolising credit (America), the second pole exporting (Japan) and the third pole stagnating (Europe). In the context of the Third World, a replication of the international division of labour is occurring. Higher wages in the first wave of NICs and protectionism in the developed economies have rendered 'bloody Taylorisation' strategies of accumulation less viable. The South East Asian NICs - in conjunction with MNCs - are therefore subcontracting labour intensive production processes to second tier LDCs, notably, Malaysia, the Philippines, and Thailand. According to Lipietz (1984:103):

> '..the Third World is today like a constellation of special cases. They are characterised by vague regularities, fragments of an accumulation logic which fit more or less well together and flows which come and go ...without having established a stable mode of regulation at a global level.'

Clearly, this account of the dynamics of capitalist development is situated at a relatively abstract level of analysis. But attempts have been made (eg. Murray 1985, 1987) to harness the conceptual categories of Fordism, neo-Fordism or flexible accumulation strategies to capture particular features of the reorganisation of individual industries and companies. Thus, Benetton - the Italian clothing transnational - has been drawn upon as a prime exemplar of current forms of industrial restructuring. The company's strategy has been based on the application of

information technology in marketing and distribution, the utilisation of a putting out system of production, and the implementation of just-in-time methods to integrate manufacturing and retailing.

An investigation of the broad processes of change in the textile industry points up some of the problems involved in applying conceptual categories like neo/post-Fordism to describe the complex nature of industrial change and the behaviour of firms in the industry. An important theme of the thesis is the extent to which new technologies have led to substantive changes in the nature of competition in the industry and whether, in fact, an emphasis on marketing and retailing, and mechanisms to integrate production and distribution are intrinsically novel developments.

1.4 The National Dimension

Analyses which focus primarily on the issue of industrial decline emphasise the role of internal forces and economic and social institutions operating within a national context. In the British context, the degree of emphasis placed on these internal forces differs but reference is made to the character of industrial relations and the militancy of trade unions, the legacy of Britain's imperial rule, the separation of industrial and finance capital, or the inconsistent record of successive governments in the formulation of industrial policies.

Two particular perspectives on the relative decline of the British economy conceptualise this process in remarkably

similar ways, primarily from an institutionalist viewpoint. Thus, Elbaum and Lazonick (1985) consider the root of Britain's relative decline as located in a particular configuration of institutional relationships which emerged in the last quarter of the nineteenth century. The main emphasis is on how the structure of industrial relations and industrial organisation inherited from the era of Britain's international economic dominance impeded the structural transformation of British manufacturing industry.

A body of literature, referred to as 'Flexible Specialisation' (henceforth flex-spec), echoes the descriptive features of regulationist analysis although the conceptual categories used are institutionalist. Regulationists view the historical development of capitalism as being punctuated by 'structural breaks' or 'organic crises' which are the product of multiple contradictions within production, and between production, exchange and distribution. The explanatory categories used - capital, value etc. - are intended to reveal the dynamics and social character of the capitalist mode of production. In contrast, a flex-spec perspective focuses on the process of institutional rigidity and adaptation, and the interplay between changes in the level and composition of demand, product markets, technology and the labour process.

Flex-spec theorists draw on the work of Piore and Sabel (1984), who argue that structural change within the developed economies is related to a transition from Fordist methods of production, involving the mass production of

basic standardised products for a homogeneous market to an emerging stage of flexible specialisation, characterised by small or medium batch production of specialised, high quality goods. Shifts in consumer demand, notably the saturation of the demand for mass produced consumer durables underpin the current period of restructuring. The economic viability of flexible specialisation has been enhanced by computer technologies which permit a reduction of unit costs within non-repetitive manufacturing, thereby permitting firms to respond to the changing composition of demand. The implication is that the transition to flexible specialisation and its meshing with new technologies has reduced the optimum scale of production thus conferring competitive advantages onto small firms, rather than large, vertically integrated corporations which were formerly geared to maximising scale economies from high throughput production.

The development of flexible specialisation production methods allegedly requires a multi-skilled and polyvalent workforce, thus reversing the deskilling tendencies of Taylorist forms of work organisation. The implications for the structure of the international economy are not analysed in any great detail, but a likely outcome of present restructuring would be the concentration of flexibly specialised, high technology industries in the developed economies and the relocation of Fordist mass production industry to the LDCs. At a conceptual level, the analysis focuses exclusively on exchange relations, notably shifts in demand, which shape the nature of product markets, and the

organisation of production. In contrast, regulationists consider the fragmentation of demand and the disintegration of mass production/consumption as a manifestation not the underlying cause of crisis.

The central focus of flex-spec theory is on the changing nature of competition within the developed economies, and the factors which either facilitate or impede the diffusion of flexible specialisation production methods in particular national contexts. Thus, the slow diffusion of flex-spec production methods in the UK is explained by reference to the poor quality of managerial decisionmaking in UK manufacturing (Williams et al. 1989:6); the mistaken belief of British governments and managers in the competitive advantages of large sized firms and the efficiency gains of scale economies (Hirst and Zeitlin 1989b) or the rigid commitment of private sector trade unions to free collective bargaining and high wage increases. Strategic miscalculation, managerial inefficiencies and institutional rigidities are therefore presented as the main reasons for the continuing poor performance of British firms in the 1980s.

Thus, Elbaum and Lazonick (1985) and flex-spec writers, like Hirst and Zeitlin (1989a/b) analyse Britain's competitive failure as a reflection of entrenched or rigid institutional structures. The main difference is that the former view economic decline as a continuous process beginning in the late nineteenth century, whereas the latter point to a historical 'turning point' in British economic development

in the late 1960s, coinciding with the demise of mass production. Both approaches have contributed to debates on the development of British textiles and clothing.

1.4.1 The decline of British textiles: a long term problem?

Lazonick's (1985) analysis of the decline of British textiles focuses on a set of institutional relationships which originated in the late nineteenth century and allegedly conditioned the development of the industry up until the 1960s. In the context of the cotton industry - which has undergone the most protracted decline of all the textile sub-sectors - he emphasises that the constraints of industrial relations and industrial organisation inherited from the era of Britain's international economic dominance impeded the structural transformation of the industry and perpetuated its technological backwardness. This thesis, however, takes issue with Lazonick's historical account for two reasons. Firstly, an exclusive emphasis on nationally based 'internal' constraints ignores the analytical significance of international economic developments; the integration of the British industry within a global system of production and the significance of multinationals in the industry. Secondly, the focus on nineteenth century institutional relationships downplays the potential for the change and transformation of the British industry during the twentieth century and the significance of government intervention and shifts in state policy towards this sector.

1.4.2 Restructuring: a case of flex-spec?

A number of writers (Zeitlin 1985, Zeitlin and Totterdill 1989, Mitter 1986) have drawn upon the 'flexible' potential of automation technologies and their convergence with a shift to the production of higher quality, fashion orientated products in smaller batches to argue that industries like textiles and clothing are moving from a Fordist mass production paradigm to flexible specialisation production methods. For the UK, the general implication is that a perceptible shift to small batch production - at least in the early 1980s - provided a favourable context for the regeneration of these industries. Yet, the analysis of developments in textiles and clothing points out that both industries are the site of a complex recomposition of competitive relationships which tend not to be amenable to superimposed ideal typical categories, like Fordism or flex-spec. The simplistic application of these analytical categories to specific national contexts and particular industries is questioned.

1.5 An Alternative Approach

The central argument of this thesis is that the fracturing of theoretical analysis around two separate axes of international structural change and national industrial performance has resulted in the absence of a synthetic treatment. Analyses of structural change in the world economy tend to neglect the differentiated nature of national economies and the particular configurations of social and economic relationships which have shaped the character of national industrial development. An emphasis on

internal forces in shaping the development of individual economies often downplays the significance of changes in the structure of international capitalism and the international integration of national economies through the activities of transnational corporations and banks. A more convincing account of industrial decline would seek to analyse the interactions between the key social agencies (labour, multinational and national industrial capital, finance capital and the state) which have been crucial to the emergence of the UK as a low wage, low productivity economy in comparison to other developed countries.

The main contentions of the thesis are:

a) New international division of labour theories, particularly the world-systems variant, blur the complex relationship between international and national economic forces because of their exclusive focus on a supranational international economic system. The emphasis on the Babbage Principle underplays the significance of technological developments in raising productivity and reducing unit production costs, whilst the notion of multinationals as 'footloose' in search of cheap labour ignores the multi-facetted nature of corporate strategies.

b) The focus of regulation theory on the development of the USA and the diffusion of the Fordist regime of accumulation to other developed economies obscures both national specificities and an account of the complex processes which have informed the present development of the international economy.

c) Regulationist theories tend to harness the UK's relative industrial decline to conceptual categories which were not originally formulated for the analysis of the differentiated nature of individual economies. Thus, partial empirical trends are abstracted from complex empirical circumstances which are then subsumed under a set of stylised categories (eg. Fordism, neo-Fordism).

d) Analyses which focus primarily on the issue of Britain's industrial decline, however, overplay the role of internal forces peculiar to the nation state because of their exclusive emphasis on institutional rigidities. They therefore downplay the importance of multinationals to British manufacturing and changes in the form of Britain's integration in the international economy during the twentieth century.

e) Relatedly, a flex-spec perspective underestimates the continuing significance of scale economies and large scale production, particularly in consumer durables. Evidence indicates, moreover, that the implementation of computerised technologies, and an emphasis on high value added production does not necessarily mesh with the emergence of polyvalent, skilled workers or a cooperative model of industrial relations.

1.6 The Method of Analysis

The objective of this study of textiles and clothing is not to subject the hypotheses from any one particular perspective to empirical falsification but to reveal the complex interplay of international and national economic forces in shaping the present predicament of British

textiles and the strategies of the most influential and highly internationalised firms in the sector.

The substantive focus of the thesis progresses in distinct analytical stages from an account of the relatively abstract forces structuring competition at an international level, to the configuration of economic and social relationships operating within the specific context of the British industry. A major part of the thesis is devoted to an analysis of the three textile multinationals which dominate the British industry. The restructuring of production at two of Courtaulds' textile plants is the object of detailed discussion.

The analysis of corporate strategies is not intended to elucidate the process of managerial decision making within the modern corporation but illustrates the complex manner in which multinationals recompose the structure of production and employment on an international and national basis. An exclusively plant level case study based approach to industrial change was therefore eschewed because this does not allow any detailed elaboration of the broader economic and social forces impinging on national industries or particular companies. Nevertheless, the adaptation of the three British textile multinationals to competitive pressures has led to radical changes in the structure of production at particular plants. This, in turn, has profound implications for the process of industrial relations, and the social division of labour. The reshaping of the production process at two of Courtaulds' textile plants

therefore serves as an analytical medium through which the dynamics of industrial change can be revealed at a concrete level.

An integrated analysis of relatively abstract economic and social forces and their concrete manifestations ensures that the complexities of industrial change can be better understood. The analysis of the British textile industry therefore tries to transcend the conceptual polarity between international structural change and national industrial decline which has so often been reinforced in other accounts of industrial restructuring.

SECTION A: STRUCTURAL CHANGE IN THE TEXTILE INDUSTRY

The textile industry has undergone immense structural change over the last three decades, both within the developed countries and internationally. A major restructuring of production and employment has occurred on an international basis, in which the location of production has moved systematically away from higher waged to lower waged countries. Moreover, since the 1960s, industrialised countries have shifted from being net exporters of textiles and clothing to net importers. In short, the industry has become progressively internationalised over the post war period.

The aim of this section is to analyse the broad dimensions of change in the industry, and the reasons underlying shifts in production, employment and trade flows. One particularly influential analysis attributes these locational shifts to the activities of multinational corporations who have sought to relocate production to LDCs in response to lower wage costs. Although a considerable gap exists in average labour costs between developed and developing countries in the industry, the pattern of foreign direct investment (fdi) tends not to support the thesis that the locational strategies of MNCs are driven exclusively by differences in relative labour costs. Access to markets appears to be more important. Moreover, the bulk of fdi made by OECD textile firms tends to be located in other developed countries rather than the LDCs. International subcontracting, which more closely approximates a strategy designed to reduce labour costs, tends to have been unevenly adopted by firms

in the developed economies, and evidence indicates that it has resulted in problems for multinationals because of the arms length nature of the transactions involved. Moreover, competitive strategies based on 'cheap labour' have contradictory effects. Investment in lower waged LDCs has often generated demands for rising wages, expansion of unionisation and industrial conflict. Firms in the industry have also embraced other forms of internationalisation such as cross-national licensing agreements, which do not involve investment in overseas markets or the relocation of production. The internationalisation of production in the industry has therefore assumed a number of forms and is driven by a multiplicity of factors, not merely the search for low waged labour.

A unique concern with labour costs underplays the significance of labour productivity and specifically, technological developments in raising productivity and reducing unit production costs. Although Third World wages may be lower it does not necessarily follow unit production costs are lower as this depends on productivity rates. There has been a long run trend of the textile industry towards more capital intensive production methods. The main stimulus to technological development has been the need for firms to economise on unit production costs to compete with lower waged economies.

A major issue in what follows is the extent to which new technologies have enhanced the competitiveness of firms in the developed economies. Have they initiated the relocation

of labour intensive production processes back to the developed economies? And is this synonymous with a process of 'deinternationalisation'?

The central thesis is that capitalist competition is not, and has never been, characterised by stability or stasis. Both national and multinational firms continuously search for methods to enhance and revitalise profitability but competitive strategies can only ever mediate the contradictions of capital accumulation in an imperfect manner and with partial success. They are thus continually being reshaped in response to new competitive imperatives and the emergence of impediments or obstacles to continued capital accumulation. In this context, multinational firms are not omniscient economic units - they too experience capitalist competition as an external force which coerces them to recompose the structure of production and employment on an international basis.

The ambiguous character of state intervention in the industry in developed economies has heightened the tensions and contradictions integral to the process of capital accumulation. National governments have provided financial subsidies to facilitate the restructuring and modernisation of the industry. But measures have also been implemented to maintain textile and clothing employment which tend to delay the structural adaptation of the industry to the imperatives of international competition. Although mutually inconsistent, both policies - together with the regulation of trade flows through protectionist agreements - are

designed to stem the decentralisation of production on an international basis. But they coexist simultaneously with favourable trade and customs provisions which facilitate the mobility of multinational capital, and the relocation of production to lower waged economies. Thus, the following analysis highlights the contradictory ways in which governments and firms in the developed economies have responded to locational shifts in production and employment, and the manner in which these forces have shaped the integration of developing countries into the world industry.

Chapter Two: Dimensions of Structural Change

2.1 Introduction

The aim of this chapter is to describe the broad shifts in production, employment and trade flows which have characterised the process of structural change in the industry since the 1960s. The following analysis recognises, however, that textiles is one part of a complex 'processing and marketing chain' (Clairmonte and Cavanagh 1981) linking the multiple stages of fibre production, yarn preparation, fabric formation, garment manufacturing and retailing. In particular, the reconfiguration of the clothing industry is relevant to any discussion of changes in the textile industry as both industries have a close, almost symbiotic relationship. Clothing accounts for roughly 50% of total final fibre consumption in OECD countries thereby constituting the major determinant of demand for textile products. But the transmission of demand for clothing into that for textile products (fabric and yarn) is not straightforward and relatively small changes in sales at retail level can generate stock movements that will be amplified at the various discrete and relatively independent stages of textile production. Changes in one sector, particularly retailing or garment manufacture, tend therefore to have repercussions on the stages further down the production chain (1) and therefore specific features of change in both industries are analysed in connection with developments in the textile industry.

2.2 Shifts in production, employment and trade flows

In the period between 1963-80, the share of OECD countries in world production of textiles and clothing fell substantially, from 58% to 48% in textiles and from 70% to 51% in clothing, (OECD 1983:12) with developing countries (LDCs) and centrally planned economies (CPEs) accounting for a greater share of world output (cf. tables 1 and 2). The decline in the OECD's share of world production over 1963-80 has fallen mainly to the benefit of the centrally planned economies, with LDCs increasing their share of world output only marginally since 1963 and performing substantially weaker in textiles than in clothing (OECD Observer 1983:24). Trends in the growth of textile and clothing industry output for the period 1980-86 indicate, however, that LDCs achieved the fastest growth rates overtaking the CPEs. Moreover, there was a noticeable slowing of growth in textile and clothing production in all regions except Asia (cf. table 3). In 1986-87, this trend has continued with the developing countries achieving average growth rates of 2.4% in textiles and 4.1% in clothing compared to 1.9% and 1.4% respectively for the developed economies. The location of production seems to have moved systematically away from higher to lower waged countries (Cable and Baker 1983, ILO 1984, Anson and Simpson 1988).

Table 1: Production in the textile, clothing (a) and manufacturing industries
(annual rates of change)

	Textile Industry		Clothing Industry		Total Manufacturing Industries	
	1963-73	1973-80	1963-73	1973-80	1963-73	1973-80
Developed market economies (b)	4.4	-0.1	3.1	0.8	6.2	1.8
OECD Europe	3.8	0.1	2.2	-0.4	5.6	1.6
EEC	3.3	-0.4	1.6	-1.4	5.1	1.3
North America	5.5	-0.1	1.6	0.9	5.5	1.7
Japan	7.1	-0.9	6.9	-1.3	12.3	3.8
Centrally planned economies (c)	6.8	4.2	6.7	5.2	9.1	6.4
Developing countries	4.7	3.6	5.8	1.5	7.6	4.7
Asia	3.7	3.3	4.8	1.9	6.5	6.1
World (d)	4.9	1.6	4.8	2.2	7.2	3.3

Source: OECD 1983:12

Table 2: Share in world (d) production of the textile and clothing industries
(percentages)

	Textile Industry		Clothing Industry	
	1963	1980	1963	1980
Developed market economies (b)	57.5	48.2	70.2	52.3
OECD Europe	27.9	20.5	24.7	17.9
EEC	23.4	15.7	22.1	14.4
North America	21.7	20.2	42.6	31.8
Japan	6.4	6.7	2.1	2.6
Centrally planned economies (c)	28.6	37.5	24.7	41.0
Developing countries	13.9	14.3	5.1	6.7
Asia	5.4	9.4	2.1	2.8

Source: OECD 1983:12

Production: value added in constant prices.
(a) In table 1, clothing includes the footwear and leather industry.
(b) OECD countries plus South Africa and Israel
(c) Soviet Union and six European members of CMEA.
(d) Excluding China and other centrally planned economies in Asia.

Table 3: Trends in the growth of textile and clothing industry output, 1963-86

(% of value added at constant prices)

	1963-73	1973-80	1980-86
Centrally Planned economies (a)			
Textiles	6.0	4.0	1.1
Clothing	6.7	5.2	2.4
All manufacturing	9.1	6.6	3.9
Developed countries			
Textiles	4.4	-0.4	0.2
Clothing	2.1	-0.2	-1.0
All manufacturing	6.2	1.8	1.8
Developing countries			
Textiles	4.7	2.5	2.8
Clothing	5.8	4.2	3.7
All manufacturing	7.4	5.7	5.3
North America			
Textiles	5.5	-0.1	1.4
Clothing	1.6	0.7	-1.0
All manufacturing	5.5	1.8	2.5
EC			
Textiles	2.3	-0.7	0.0
Clothing	1.6	-1.2	-1.0
All manufacturing	5.1	0.8	0.8
Asia (b)			
Textiles	3.7	3.5	3.5
Clothing	4.8	5.6	7.6
All manufacturing	6.5	6.4	10.1
Japan			
Textiles	7.1	1.2	-0.4c
Clothing	6.9	1.1	-c
All manufacturing	12.3	4.9	4.1c
World			
Textiles	4.9	1.4	1.0
Clothing	4.0	2.2	0.8
All manufacturing	7.2	3.3	2.7

Note: (a) including China; (b) excluding Japan; (c)1980-85

Source: Anson and Simpson 1988:49

For the period 1972-86, more disaggregated figures indicate that the European Community experienced the severest decline among developed economies. Output levels were considerably lower in 1984 than 1973 although there has been some recovery since then. Japan also suffered to a similar degree with production declining on average by 11% compared with a 13% drop for the EC. In contrast, the USA sustained broadly similar levels of textiles and clothing output.

Over the period 1972-86, the developing countries showed a sustained rise in output of both textiles and clothing, despite a lull in 1981-82. Clothing output growth, however, has tended to outstrip that for textiles since 1973. Again, the most marked growth has been in Asia, South Korea being a notable case among the South East Asian NICs. Over the 1975-85 period South Korea's output of textiles rose by 148% and apparel by 196%. Rapid growth in textiles and clothing production is observable in other Asian countries, notably Malaysia, Thailand and the Philippines with almost all the growth occurring in clothing. In the large developing countries which tend to cater mainly for the domestic market, notably India, Brazil, Egypt, and Pakistan, production has lagged well behind manufacturing as a whole. Production in Eastern bloc countries has steadily expanded, but struggled to keep up with manufacturing industry levels.

Within the general shift of textiles to developing and centrally planned economies, the decline of the cotton textile industry in most Western countries is particularly striking. Developing countries have generally increased their textile capacity by prodigious amounts, while European and North American capacity has contracted (cf. table 4).

Western European cotton spinning capacity declined from almost 30 mn. spindles in 1960 to 12 mn. in 1980, whereas Asian capacity rose from 42 mn. to 76 mn. Most of the growth occurred in India and China, by about 52% and 166% respectively, catering mainly for the domestic market. Nevertheless, capacity in Taiwan increased by seven times,

in South Korea by six times and in Thailand by over nine times over this period but was heavily geared to export demand. A major expansion of capacity has also occurred in Southern Europe (particularly Turkey, and Greece) (2).

Table 4:Distribution of (Cotton Type) Spinning Capacity (a)
('000 cotton type spindles)

				Change in Capacity		
	1974	1980	1985	1974/80 (%)	1980/74 (%)	1985/80 (%)
World	145,935	151,881	156,111	15.6	11.0	3.1
Africa	4,134	6,705	7,412	151.2	51.0	10.5
N America						
(Inc Mexico)	31,017	23,862	18,631	-63.8	-3.4	-15.6
USA	18,686	17,330	13,876	-6.6	-8.3	-20.0
L America	7,838	8,674	8,763	26.4	15.4	6.8
Asia	61,884	68,181	79,189	49.7	31.7	16.0
China	18,686	17,888	22,625	87.5	62.1	33.1
India	18,857	21,566	24,742	36.8	31.6	14.7
Japan	11,841	10,432	9,568	-16.4	-16.4	-8.3
Korea	1,560	3,167	3,301	224.2	166.9	4.2
Taiwan	2,527	3,459	3,917	531.8	13.8	13.8
Thailand	1,189	1,364	1,808	1333.3	-11.1	55.3
Europe	47,922	47,268	42,210	-	-8.8	-10.7
France	3,352	3,286	1,367	-44.2	-16.9	-46.2
W Germany	3,854	3,518	1,823	-36.8	-33.1	-31.4
Greece	781	1,442	1,538	78.8	95.7	6.1
Italy	3,843	3.314	3,322	-16.5	-13.6	-26.9
Netherlands	448	184	81	-56.9	-52.9	-56.8
Turkey	1,951	3,166	1,225	119.5	51.5	1.8
UK	3,678	1,771	884	-72.4	-36.2	-50.1

(a) Figures are estimates, and in the case of some countries (ie. China) rough approximations.
(b) short staple spindles and open end rotors only.

Source: Cable and Baker 1983:47/Anson and Simpson 1988:54

Employment too in the developed countries has been falling since 1963 in textiles and since 1973 in clothing while there has been continued employment growth in developing countries and centrally planned economies (tables 5 and 6). From 10.4 million in 1963, employment fell by 2.0 million to 8.4 million in 1979. Over the period 1963-70, employment in textiles and clothing in the OECD area fell at an annual

rate of 0.5%, which doubled to 1% a year from 1970-73 and from 1973-79 the rate of decline rose to 2.6% a year. The share of textiles and clothing in manufacturing employment also fell from 16.9% to 12.8% in 1979.

Table 5: Employment in the textile and clothing (a) industries (annual rates of change)

	Textile Industry		Clothing Industry	
	1963-73	1973-78	1963-73	1973-78
Developed market economies (b)	-1.0	-3.1	1.1	-1.2
Centrally planned economies (c)	1.5	0.6	2.9	0.8
Developing countries	1.9	2.9	4.4	8.4
World (d)	1.4	0.7	2.9	3.1

Table 6: Share in world (d) employment in the textile and clothing industries (percentages)

	Textile Industry		Clothing Industry	
	1963-73	1973-78	1963-73	1973-78
Developed market economies (b)	46.5	33.1	50.8	40.7
Centrally planned economies (c)	26.0	28.8	37.7	39.5
Developing countries	27.5	38.1	11.5	19.8

(a) clothing in table 5 includes the footwear and leather industry.
(b) OECD countries plus South Africa and Israel
(c) Soviet Union and six European members of CMEA
(d) excluding China and other CPEs in Asia.

Source : OECD 1983:13

Shepherd (1981:6-7) points out that in terms of the EC, the textile industry was among the largest shedders of labour in a period when manufacturing employment was falling and the overall unemployment rate was rapidly rising. Thus, from 1973-80, 512,000 jobs were lost in textiles (28% of the total) and 333,000 jobs in clothing (26% of the total). Employment fell at an unprecedented rate in 1980-81 - by 14%

over two years in textiles and clothing combined and around 330,000 jobs were lost in the EC (Cable and Baker 1983:107). By 1987, EC (12) textile employment was more than a quarter down on its 1980 level (Anson and Simpson 1988:179). The biggest job losses, of the order of a quarter to a third of the workforce, have been in the Irish Republic, Spain, the Netherlands, Italy, the UK and West Germany. In Denmark and Greece, in contrast, the numbers have actually increased.

In terms of trade patterns, one of the most significant changes since the early 1960s has been the shift in industrialised countries from being net exporters of textiles and clothing to net importers, with all of the trade deficit accounted for by clothing (Anson and Simpson 1988:86-90). The ILO (1984:5-6) study concluded that while the newly industrialising countries have had considerable success in penetrating the markets of the industrialised countries in clothing they have been very small suppliers of textiles. The share of developing countries in the textile imports of the industrialised countries rose between 1968 and 1978 from 1.12 to 2.79 per cent, whilst the rates for clothing imports were 1.94% (1968) and 11.64% (1978). Industrialised countries still enjoy a surplus in textiles trade although this has declined since 1981 after rising steadily in the 1960s, 1970s and early 1980s. By 1985 the textiles trade surplus of the industrialised countries was down to $1.3 bn. from its peak of more than $5 bn. in 1981. In clothing, industrialised countries have been net importers since the early 1960s. In 1985, 90% of the developed economies clothing trade deficit of $18.5 bn.

could be accounted for by LDCs which had a net surplus of $16.6 bn. in clothing trade with the developed economies.

Regional trade flows illustrate similar trends. In 1970 developed countries accounted for 74% of world textiles and clothing exports whereas by 1985 the figure was only 55%. In textiles, developed countries still account for the bulk of world exports (in 1985 the share was 65% and LDCs 25%) and in clothing the share was 44% and 43% respectively. Nearly three quarters of textile exports from developed countries go to other developed countries whereas 43% of LDC textile exports go to developed countries. In clothing, again, most exports by developed economies (87%) are intra regional whereas the bulk of LDC clothing exports (88%) go to industrialised countries (Anson and Simpson 1988).

The main contributor to the decline in the developed economies' surplus in textiles and to the increase in the clothing deficit is the USA. US trade in textiles and clothing was in deficit in 1980 by $4.6 bn.; by 1986 this had deteriorated to $21.1 bn. - more than 20 times that of the EC as a whole ($1.0 bn.). In textiles, the US trade deficit reached $3.3 bn. in 1986, followed by the UK with the second largest trade deficit at $2.2 bn. The developed countries which still enjoy substantial surpluses in textiles include Japan, Italy, West Germany and Belgium/Luxembourg. In clothing the main contributor to the deficit of the industrialised countries is again the USA; the US imbalance in clothing more than trebled over the period 1980-86 to $17.8 bn. followed by West Germany with

the second largest clothing trade deficit of $6.2 bn. In contrast, Italy has overtaken Hong Kong as the world's largest net exporter of clothing and is the only developed economy which showed a substantial trade surplus in 1986. In fact, Italy's combined surplus of $9.0 bn. in 1986 made it the world's largest net exporter of textiles and clothing ahead of South Korea, Taiwan, China and Hong Kong.

Although there has been a clear shift in comparative advantage to the developing countries, they do not constitute a homogeneous unit and three clearly discernible groups can now be identified. Firstly, there are the textile exporters which still mainly export yarns and fabrics but are also acquiring clothing capacity (India, Pakistan, Brazil, Egypt, Turkey and China). China, in particular, has grown rapidly in the 1980s, initially as an exporter of textiles but recently clothing exports have substantially increased. Turkey's clothing exports have shown a similarly rapid growth. The second group exports mostly clothing and imports substantial amounts of textile yarns and fabrics (Hong Kong and Singapore and increasingly Malaysia, Phillipines, Thailand and Yugoslavia). South Korea and Taiwan are net exporters of both textiles and clothing but the bulk of foreign exchange earnings are from clothing. The third group consists of the poorer, less industrialised LDCs which are still net importers of textiles and clothing.

A number of factors influence patterns of world textile trade, but an increasingly important factor is the volatile nature of exchange rates. The level of the US dollar has a

particularly important influence on world textile and clothing trade flows since the currencies of most of the major Far Eastern textile and clothing producers are linked to it. The depreciation of the dollar since 1985 - the value of the dollar in European Currency Unit (the Ecu) terms stood in March 1988 at just 58% of the March 1985 level - has increased the competitiveness of imports into Western Europe, not only from the USA but also the Far East. Thus, in the second half of 1988, most Western textile producers experienced depressed trading conditions, characterised by falling output levels, and high stocks compared with the same period in 1987. The only countries to secure an increase in yarn production were South Korea and Pakistan and in cloth output, South Korea, Japan and Taiwan (FT 4.1.89/12.4.89).

It is highly likely that competition between the developed and the developing countries will increase and intensify in the long term as the trend for world fibre demand is one of slower growth. This pattern, though, is largely a continuation of historical trends. Clothing has been the major determinant of fibre and textile demand but consumer expenditure on clothing has lagged behind total consumer expenditure for a wide range of OECD countries and consequently, the proportion spent on clothing has declined over the period 1970-86 (3). Table 3 indicates that over the period 1963-86 both textile and clothing output failed to match the growth in manufacturing as a whole for any of the three periods. As a result the share of manufacturing value added accounted for by both textiles and clothing has

declined since the early 1960s. Moreover, world demand for fibres is forecast to grow by 2.3% per annum to 1995 compared with the more buoyant levels of 3.8% in the 1950s, 4.3% in the 1960s and 2.5% in the 1970s (Coker 1988:21). Growth in demand is slower than current increases in productivity which will generate serious overcapacity. All of the extra demand in the Western developed economies is expected to be met from textile and clothing products made in LDCs, notably China and East/South East Asia. Growth in demand is expected to be slowest in the USA and the EC which are the world's biggest importers of textiles and clothing. One industry specialist has argued that:

> 'Unless there is a revival of demand in open markets, the prospects for any sustained and significant increase in world textile trade are discouraging and it seems probable that the existing tensions and conflicts of interest will persist and perhaps even intensify.' (Coker 1987:31)

It is apparent from this descriptive account of the broad dimensions of change in the industry that textile production has been progressively internationalised. Chapters three and four explore the reasons underlying these locational shifts in production, employment and trade flows in greater depth. Are they, for example, simply attributable to the activities of First World multinationals in search of 'cheap labour'? To what extent are new technologies initiating a relocation of labour intensive production processes back to the developed economies? How have (national) states in the developed economies intervened in the industry, and have they attempted to facilitate or impede the decentralisation of production on an international basis?

Chapter Three: The process of internationalisation: multinationals in search of cheap labour?

3.1 Introduction

According to Frobel, Heinrichs and Kreye (1980), the internationalisation of production is largely attributable to the activities of multinationals who have sought to relocate production to developing countries in response to lower wage costs (4). Structural unemployment in the West German textile and clothing industries, the export oriented industrialisation strategies of LDCs and the relocation of production by West German companies to lower waged countries are interrelated phenomena, characteristic of a new international division of labour. The mechanism underpinning the new international division of labour is the Babbage principle, which:

> 'calls for the maximum replacement of skilled labour in order to attain a reduction in labour costs. It is implemented through the world-wide organised allocation of the elements of the production process to the cheapest or most adapted labour force which can be found.' (1980:41)

The objective of this chapter is to explore how far the progressive internationalisation of the industry can be exclusively related to the search by multinationals for lower waged labour, and whether such an explanation provides us with an adequate understanding of the involvement of LDCs in the world textile industry. It is argued that the expansion of multinationals within the textile and clothing industry has been uneven. Patterns of foreign direct investment tend to be driven by a number of factors, particularly the need to gain access to foreign markets, and

the decentralisation of the production process on an international basis has generated its own problems and contradictions for multinationals because of the arms length nature of the transactions involved. This echoes the insights of debates on the historical evolution of different forms of work organisation. As Marglin (1976) makes clear, subcontracting arrangements and process specialisation typical of the early 'putting-out' system can hamper managerial control of the production process, and Williamson (1980) has stressed the economic costs that manufacturers incurred, such as heavier transportation expenses, larger inventories and other interface leakages (such as theft and embezzlement of raw materials). Thus, economic costs can be accentuated when process specialisation and the fragmentation of production occurs on an international basis.

A unique focus on the Babbage Principle and the fragmentation of the production process underplays the significance of technological developments in raising productivity and reducing unit production costs. An important theme in what follows is the extent to which new technologies and non-price forms of competition are initiating a relocation of production back to the developed economies. One particular company, Benetton, has been central to debates on industrial restructuring as it is allegedly typical of a generalised shift to flexible specialisation, or neo-Fordism (Murray 1985). The application of information technology to the areas of marketing and distribution; the utilisation of a 'putting-

out' system of production, and the implementation of just-in-time methods to integrate manufacturing and retailing has enabled Benetton to expand without relocation of production to LDCs.

The central argument of this chapter is that international competition in the industry tends not to be characterised by clear cut shifts in comparative advantage or stable, dichotomous relationships between the developed and developing countries. The integration of LDCs into the world economy and the development of particular industries like textiles and clothing has not been exclusively dependent on the strategies of firms in the developed economies. In the developed economies, there has been a trend towards the production of high value added, high quality products, the adoption of non-price forms of competition and the utilisation of integrated, information technologies. But the evidence is not consistent with the view that a stable, dichotomous polarity in the structure of international competition is emerging, with Third World firms being relegated to the production of mass produced, low cost textile and clothing products. Competitive relationships are experiencing a dynamic process of recomposition in the face of an intensification of capitalist rivalries. This indicates that the process of internationalisation is subject to a number of competing pressures and contradictions which both facilitate and impede its development.

3.2 Multinationals and foreign direct investment

Although concentration levels have generally increased in both the textile and clothing industries over the post war period, multinationals have penetrated this sector less than more capital intensive industries (eg. cars). Of the largest 500 multinationals analysed by Stopford and Dunning (1983) only fourteen were in textiles, clothing and leather and eleven were involved in synthetic fibres. In general, the production of synthetic fibres tends to be dominated by a small number of multinational companies but large firms with an international network of subsidiaries are also a feature of particular parts of the textile and clothing industry. They can generally be divided into those that specialise in clothing, such as Bidermann (French), Triumph International (German) and the American jeans producers (Levi Strauss, Vanity Fair, Blue Bell), and those that are involved in a wider range of textile processes, including, Courtaulds, Coats Viyella (British), Burlington (America), Agache Willot, Prouvost, Dolfus Mieg (French) and Freudenberg (German). Courtaulds, Coats Viyella, Burlington, Levi Strauss and Blue Bell were amongst the 500 largest multinationals classified by Stopford and Dunning (1983).

The evidence concerning the location and direction of foreign direct investment (fdi) in the industry is complex and does not unanimously support the concept of multinational firms as 'footloose' capital in search of the cheapest possible labour. Most textile and clothing firms of the developed economies have made only relatively limited use of fdi over the last ten to fifteen years (OECD 1983:57)

and such investment has been related to a number of factors particularly the need to gain access to foreign markets sheltered from import competition. The bulk of fdi made by OECD textile firms tends to be located in other industrialised countries rather than LDCs.

The major exception to this pattern is Japan. Fdi by Japanese textile companies began to increase during the 1960s, and by the early 1980s, the industry accounted for approximately 12 per cent of all Japanese manufacturing fdi, the fourth most important sector after metals, chemicals and electrical machinery (Young and Hamill 1985:5). Two thirds of Japanese textile fdi has been skewed towards the South East Asian LDCs. The other important area is Central and South America which represents around one fifth of the total stock of textile fdi. Investments also occurred in the 1970s in European and South American countries, and in the USA and Canada. In terms of composition, overseas investments have been heavily concentrated in the synthetic fibre sector, which according to Young and Hamill (1985) accounts for approximately one half of all textile fdi, with cotton spinning and weaving accounting for 33%. Fdi in synthetic fibres, and textiles has been motivated by a number of factors, particularly, the need to secure and retain markets, whereas fdi in clothing, knitting etc. has been related to the search for lower cost production locations. Local marketing or production subsidiaries are currently being set up in developed economies to evade trade restrictions on Japanese exports, especially from the USA. One recent development has been an increase in investment in

the USA by Japanese textile companies, (eg. the spinning firm, Kanebo) but the opening up of China to foreign investment may stimulate the establishment of Japanese joint ventures in textiles and clothing.

The UK textile industry is one of the most highly internationalised of all the OECD countries and second only to Japan. Direct investment in wholly or partly owned foreign subsidiaries has been a dominant form of internationalisation in textiles and has been motivated by the need to circumvent tariff barriers and gain access to markets and to make use of lower cost labour. In synthetic fibres, fdi by firms such as ICI and Courtaulds, has tended to be geographically concentrated in Western Europe. Fdi by UK clothing firms has been more limited due to their smaller average size. Overseas investments have recently increased but mostly in the direction of the USA or Western Europe. The branded knitwear company, Dawson International has manufacturing or sales/marketing subsidiaries in six foreign countries (mostly developed economies) and S R Gent has recently established production facilities in Canada to supply Marks and Spencer's extensive operations there (Hamill 1987:15).

Fdi by American and West German textile companies demonstrates that patterns vary considerably between and across nations. In synthetic fibres, US fdi has encompassed both developed and developing countries. US textile fdi (yarns/fabrics) has been motivated by an attempt to gain access to overseas markets as well as reducing production

costs. But in contrast to Japan, the extent of fdi by US textile companies has been limited. For example, for Burlingtons and United Merchants - two of the largest US textile producers - over 90 per cent of total sales are accounted for by US plants (Hamill and Young 1987:110). The branded clothing manufacturers such as Levi Strauss and Blue Bell Inc (Wrangler) have extensive international operations with overseas subsidiaries mainly but not exclusively in Western Europe. Marketing/licensing arrangements and new technology rather than cheap labour appear to be their key concerns (Elson 1988a). The limited involvement of most textile and clothing firms with fdi may be related to the relocation of production by firms to lower labour cost locations within the USA (eg. the non-unionised southern states).

West German synthetic fibre companies have made extensive use of fdi to gain access to markets, especially the US but few textile and clothing firms have made significant overseas investments, and these have tended to have been in the USA and Europe rather than LDCs. According to the International Textile, Garment and Leather Workers' Federation (ITGLWF) (1984:75), only 14% of the net foreign investment made by German textile and clothing companies in 1982 was directed to developing countries. The major exception to this pattern is Triumph International, a manufacturer of ladies' garments, which has a controlling interest in production facilities in over twenty countries. The company has expanded its overseas operations, particularly in Japan, Hong Kong, Thailand, the Philippines

and Brasil, whilst rationalising its West German operations. The company has also engaged in co-production agreements in Eastern Europe, especially in Hungary. It is estimated that by the mid-1970s approximately half the items in Triumph's total product range were made in Hungary (Taggart and Hamill 1987:10).

3.3 Licensing

Cross-national licensing agreements - the payment of royalties in exchange for the use of technology or brand names - are a form of internationalisation which does not involve any relocation of production. Licensing is most common in synthetic fibres and branded clothing. It allows a company to operate internationally without extensive distribution networks or engaging in risky foreign ventures (ITGLWF 1984). For example, Toray Industries, a Japanese fibre company, has emerged as an outward licensor to producers in America, Italy, Germany, Eastern Europe and Central America (Young and Hamill 1985). There have also been cross-national licensing agreements between US and West European fibre producers (eg. Celanese (USA) and Hoechst (Germany)). In branded clothing, the US jeans manufacturers, Levi Strauss and Blue Bell, have made extensive use of licensing in countries where foreign direct investment is restricted, such as those in Eastern Europe (Hamill and Young 1987). Blue Bell has licensing agreements with independently owned firms in over 50 countries. Gruppo GFT, one of the three largest Italian clothing manufacturers along with Marzotto and Benetton, has also made use of licensing agreements with fashion designers. It is difficult

to gauge accurately the extent of cross-national licensing agreements in the textile and clothing industries but the ITGLWF (1984) argues it is probably quite extensive.

3.4 Offshore Processing

The internationalisation of production has taken another form - offshore processing (5). This form of internationalisation most closely resembles the fragmentation of the production process which Frobel, Heinrichs and Kreye (1980) argue underpins the latest phase of the internationalisation of production. Typically, this refers to the process whereby fabrics are manufactured and cut in developed economies and then sent to an independently owned or partly owned firm in a lower waged country, which undertakes the labour intensive process of garment assembly. The finished garments are then shipped back for reimport into the source country, often taking advantage of favourable customs duty arrangements. It tends to be heavily concentrated in garments and knitwear rather than yarns and fabric.

The relative importance of offshore processing varies considerably across countries. The West German industry, stimulated by government trade policy, has made more extensive use of such arrangements than any other EC country. It has been estimated that indigenous West German clothing manufacturers, by virtue of their foreign assembly, subcontracting and direct investment activities, are responsible for no less than 40% of all West German clothing imports (Taggart and Hamill 1987:11).

Under special arrangements import duties are applied only to the foreign value added component of imported textile goods. Hence, many West German clothing firms have relocated large parts of their manufacture to lower cost countries, thus securing a market for the products of the more capital intensive textile industry. Consequently, imports of textiles and clothing subject to value added duties have risen from 3.2% of the total in 1961 to 8.8% in 1973 and 6.0% in 1978. The expansion of clothing imports under value added duties has been faster but relative to total imports of clothing they peaked in 1965 at 17% and fell to 12.5% in 1978 (OECD 1983:59). Hence, in the 1970s, about 12-15% of clothing imports had been assembled offshore and imported under special tariff provisions, accounting for about 5% of sales of clothing in West Germany (Taggart and Hamill 1987). While the major advantage of outward processing is a reduction in labour costs it inevitably involves additional transport costs: for West Germany, therefore, outward processing activities are concentrated in Eastern Europe, Yugoslavia and to a lesser extent the countries bordering the Mediterranean (Tunisia and Morocco).

American clothing manufacturers have substantially increased their involvement in offshore processing over the last ten years to reduce production costs in response to a growth of low cost imports. It has also been stimulated by the sourcing policies of the major retailers who have substantially increased their purchases of clothing in the Far East and elsewhere. The most common locations have been the Caribbean and Mexico. As in West Germany, government

policies have positively assisted this development. Under the '807' provisions, US companies that contract with overseas manufacturers (ie. Mexican and Caribbean suppliers) to assemble US made components pay duty only on the value added offshore when they reimport the finished product. In the 1970s between 7% and 10% of all clothing imported into the USA had been assembled offshore and imported under special tariff provisions but by 1980, these imports accounted for slightly less than 1% of total sales of clothing in the USA and their absolute level in 1978 was only about one half of German levels (Hamill and Young 1987) (6). In America, the bulk of offshore processing tends to be carried out by subsidiaries of US corporations or by companies controlled by them. Thus, whereas in the case of Germany subcontracting has been largely an alternative to direct investment abroad, in the US it has been complementary to it (OECD 1983:59-61, Hamill and Young 1987).

For France, recent evidence suggests that offshore processing is expanding (7) (Anson and Simpson 1988) although it is not yet as extensive as in Germany where about 60 subcontracting agreements exist in low cost countries as opposed to only 17 in France. As in the US, offshore processing is partly carried out by subsidiaries of French firms and is linked to direct investment. Fragmentary information in other countries suggests a relative expansion of offshore processing by Swiss and Dutch companies but the relative absence of any involvement by UK, Italian and Japanese companies.

Unlike the US and West Germany, the UK has no special arrangements for exemption from duty on the added value of imported garments which have been assembled abroad from domestically produced fabrics. In the UK and Japan, clothing retailers and trading houses have been involved in international subcontracting agreements and purchasing in LDCs rather than manufacturers (Young and Hamill 1985:11). A few UK companies have established operations in 'traditional' offshore processing locations but these normally involve an equity share in the operation (fdi) rather than the 'arms length' relationship normally associated with offshore processing. For example, Lee Cooper, the jeans manufacturer, obtains almost all of its output from a Tunisian operation, but this is 60% owned by the company. William Baird, the textile and clothing group, has clothing operations in both Hong Kong and the Philippines but these take the form of subsidiary companies rather than non-equity offshore processing. In textiles, however, there has recently been a growth in international subcontracting by manufacturers, involving the direct buying of fabric from foreign producers, especially those in Asia (Hamill 1987:16).

Another explanation of the relatively low involvement in international subcontracting by UK, Italian and Japanese companies is their utilisation of domestic subcontracting, particularly in the clothing industry. In the UK, a number of clothing retailers and manufacturers have subcontracted production to small, inner city firms and homeworkers, thereby making use of skilled but low paid, immigrant

'female' labour (Phizacklea 1987, Mittar 1986) (8). The new style Italian clothing multinationals, like Benetton (9) and Stefanel, subcontract a high proportion of their manufacturing operations to 'satellite' clothing firms in Northern Italy, many of which are small enough to be able to avoid paying social charges. In the context of the Italian industry, Anson and Simpson (1988:232) argue thus:

> 'benefits have been derived from a partial return to cottage industry production methods using outworkers or decentralised production sites. Using these methods, labour costs are often very low (a figure of a quarter of the high rates paid in the largest factories has been quoted). Also firms have maximum flexibility of being able to "turn the tap on or off" as required by market demand, without carrying the burden of expensive and unnecessary overheads.'

Similarly, most Japanese clothing firms do not own production capacity but instead subcontract work out to small scale factories for assembly (Anson and Simpson 1988:171). The large spinning companies and trading houses tend also to subcontract production, particularly of cloth from spun yarn.

3.5 International Subcontracting: limits and contradictions

As a corporate strategy, offshore processing or subcontracting creates its own problems and contradictions. Toyne et al. (1984:142) in a series of interviews with one French and two West German textile firms noted some disenchantment with offshore processing because it lessens the control management has over the production process. Close control required the physical proximity of management and plant which would generate greater flexibility and higher rates of productivity thereby offsetting the

advantage of lower wage rates.

Major difficulties have also arisen for US manufacturers, involving problems of low productivity, high labour turnover, delivery delays and poor quality. Hamill and Young (1987) cite the case of Casualwear Inc., a manufacturer of woman's clothing, which invested in a joint venture in Haiti in the mid 1960s. Low wage rates were insufficient to compensate for low productivity, poor quality and high labour turnover. Consequently, the company transferred production to a twin plant operation straddling the Mexican-US border. But even in Mexico, high labour turnover constituted a major problem averaging 14% a month. Other negative aspects of offshore processing included lack of trained personnel, and longer lead times.

Recent research into the impact of microelectronics on the international clothing industry also highlight some significant shifts in the general approach to offshore processing among multinational clothing producers in developed countries (cf. Hoffman 1985:379 and Hoffman and Rush 1984). Although the involvement of multinational firms in LDCs was still increasing, many of the companies interviewed cited problems, including higher unit transport costs, problems of control over production and long lead times. They argued that these factors would lead them to favourably consider investment in automation as an alternative to offshore production if the right equipment became available. In a few cases new facilities had been created in offshore locations closer to their domestic

market rather than in the lower labour cost locations of Asia. It was felt that cost savings resulting from pre-assembly microelectronic technology enabled the companies to operate closer to developed economies. Although labour costs were higher, lead times were shorter and it was easier to exert effective control. Similar developments were occurring among the large clothing manufacturers in Japan.

Some recent evidence appears to suggest that the growth of offshore processing may be subsiding in Western Europe. According to Anson and Simpson (1988:252), fabric suppliers in high cost countries like West Germany are in an increasingly vulnerable position. With highly productive capital intensive machinery they rely on high capacity utilisation to minimise unit capital costs. But the recent fall in the dollar has made offshore processing using German manufactured fabrics less attractive compared to direct imports from the Far East and the Mediterranean countries by retailers and clothing producers.

Thus, although the volume of offshore processing imports has risen, as a percentage of total imports it has declined from 14.5% in 1975 to 10.4% in 1986 (Morris and Sowter 1987:11). In the wake of the falling dollar, cheaper imports from Far Eastern suppliers led, in the period January-July 1987, to large increases in imports from Asian countries - China by 55% and Thailand by 68%. Between 1981 and 1986 West Germany enjoyed a growing surplus in its trade in yarns and fabrics, but there was a downturn in 1987 as the textile surplus fell, although it was still double the level of 1983. The

fall in 1987 in overall exports - of 1.1% - was the first since 1975 (10) with imports rising by 7.0%. The resulting trade deficit was nearly a third higher than in 1986, with nearly all of the deterioration in finished goods (including clothing). Imports from the Far East have hit West Germany's trade with Comecon countries and has led to reduced interest in offshore processing in particular. Textile exports to Comecon countries were static in 1985 and fell by 5% in 1986. Excluding East Germany, where exports rose by 12%, the fall was 10% (Taggart and Hamill 1987:11). A parallel development was an increase in direct imports from Yugoslavia and Eastern Europe. In 1975, offshore processing accounted for 91% of clothing imports from Yugoslavia and 76% from Eastern Europe but by 1986 these percentages had fallen to 69% and 70% respectively.

1.6 LDCs: a satellite of First World Multinationals?

A 1978 ILO Textile Committee Report (ILO 1984:7) argues that the role of multinationals in textiles may be becoming more important and refers to the growth in the numbers, size, and foreign location of multinationals (11). It is often pointed out that in the free trade zones of LDCs in which textiles, clothing and electronics predominate, foreign multinationals do account for the bulk of employment. In Asia where free trade zones account for more than half a million workers, it is estimated that employment in textile multinationals is in the order of 200,000 (40% of the total of zone employment) (ILO 1984). The new international division of labour, Frobel, Heinrichs and Kreye argue, forces LDCs to function as extended workbenches which may or may not be used by

First World multinationals (1980:87). To what extent have Third World countries become locked into a purely dependent role within this particular industry?

A one-dimensional focus on (First World) multinationals and their search for cheap labour tends towards an overly functionalist account of Third World industrialisation. The integration of LDCs into the world economy and the development of particular industries like textiles and clothing has not been exclusively dependent on the strategies of firms in the developed economies. There are, for example, considerable variations between Third World countries in the degree of foreign ownership and control of industry (cf. Jenkins 1984). Evidence indicates that the NICs in particular, have a strong indigenous textile and clothing industry. Local firms accounted for 42% of the clothing and footwear exports of the 318 largest enterprises in Brazil in 1973, 88% of the textile/clothing exports of South Korea in 1978 and 75% of Mexico's total exports of clothing and footwear in 1979 (Thrift 1986:48), although these figures do not take into account the subcontracting of production by multinationals to independent, locally owned firms in developing countries. LDCs, therefore, tend to constitute a heterogeneous grouping with different forms of involvement in the industry. Some countries tend to specialise in textiles (India, Pakistan, Brazil), or clothing (Hong Kong, Singapore, Malaysia, Phillipines), whereas others are net exporters of both (South Korea and Taiwan). Another group consists of the poorer, less industrialised LDCs which are still net importers of

textiles and clothing.

Third World firms, particularly those based in the NICs like Brazil, Taiwan, South Korea and Hong Kong, have also sought to circumvent barriers to their expansion, often through investment in overseas markets, thus reinforcing the process of internationalisation. Governments, too, have actively intervened to facilitate the restructuring of these industries. Evidence indicates, for example, that multinationals are now a phenomenon of both developed and developing countries (ITGLWF 1984; Hood and Young 1985). Protectionist agreements have motivated companies based in the NICs to set up subsidiaries in locations where such restrictions do not apply (other LDCs) or in the export markets of developed countries. The limits to growth in the industry and the move by developed countries to more restrictive protectionist trade policies will give an added impetus to multinational fdi from the NICs to other LDCs, such as Malaysia and Sri Lanka, as well as to developed countries.

As early as the mid 1960s, Hong Kong clothing manufacturers made considerable investments in South East Asian countries (Singapore, Taiwan, Macau, Malaysia, Philippines, Sri Lanka, Indonesia), and Mauritius, often in newly established export processing zones to reduce costs, evade US and UK quota controls, and in the 1970s to gain access to the EC. In the 1980s, clothing companies have invested in China, particularly in 'special economic zones' to take advantage of lower labour costs. A number of companies are also

investing in developed countries, in the form of production and marketing/selling subsidiaries (Hood and Young 1985:9). Yangtzekiang Garment Manufacturing, a Hong Kong company which has plants in Singapore, Macau, Taiwan and Malaysia, opened a plant on Merseyside in 1987 which will supply 400,000 garments a year to the British retailer, Littlewoods, as well as exporting to the EC and the USA (Hamill 1987:16).

There are positive moves by South Korean companies, encouraged by the Government, to invest in production facilities abroad in an attempt to overcome the problems of protectionism in its export markets. In 1986, 20 South Korean textile companies invested in operations in other countries, more than the total for the previous four years (Textile Outlook International November 1987:45-46). By 1987, the number of companies investing abroad was expected to rise to 30. A large textile plant is planned in the US as a joint venture between the US industry and South Korean companies. Rapidly rising wage costs in the South Korean textile industry (wages have risen 127% since 1980 compared with an increase of 66% for Taiwan and 1% for Hong Kong) may also have contributed to the increase in fdi (12).

Far Eastern clothing companies have also invested in the Caribbean as a base to export to the USA. Freight and transport costs are lower due to the proximity of the US market but in many cases, labour costs are lower in Caribbean countries than in the Asian NICs ($0.81 an hour in Haiti compared with over $2 in Hong Kong). Since early 1986,

South Korea has provided investment worth £3.7 mn. in 15 Caribbean clothing plants. This may, however, encourage the US to restrict imports of clothing from the Caribbean made from fabrics sourced outside the USA (FT 8.11.88).

Taiwanese companies have begun to invest in the UK (Hamill 1987) to gain access to European markets, and to export quota free to the US market. UK production locations make it easier for a Far Eastern company to supply Marks and Spencer, which is an important consideration given the latter's dominance in the clothing retail market and its hitherto strong domestic sourcing policy. Taiyun Textiles, one of Taiwan's largest fabric manufacturers plans to invest $50 million in a spinning and weaving plant in the USA. According to the company's president:

> 'Even though labour is cheaper here (ie. in Taiwan) electricity and raw materials are cheaper in the US.' (FT 9.10.87)

Firms like Samsung of South Korea and Far Eastern Textile of Taiwan, in addition to three Brazilian firms currently figure amongst the world's 50 largest textile companies (Anson and Simpson 1988:43).

A number of Third World countries which previously based the expansion of their textile and clothing industries on offshore processing and EPZs are reconsidering such strategies. LDCs have become aware of the disadvantages of the US Government's '807' arrangements. Supplier companies are restricted to assembly and sewing whereas the important value added and often automated operations of design, pattern marking, cutting and marketing are all monopolised

by US contractors. Although such provisions benefit employment, value added is kept to a minimum and the contribution to the developing economy is limited. Smaller producing companies can become reliant on one customer with no guarantee that contracts will be renewed on their termination. Profit margins for suppliers tend to be very low. In Jamaica, for example, the value added by the local producer averages 10% to 20% of the total value of the exported product (Anson and Simpson 1988:145). In the light of such considerations, the Mexican Government instituted an export promotion programme in 1985 to improve backward linkages with textiles and have placed restrictions on the expansion of export processing zones. They are now authorised only for products in which Mexico has unfilled MFA quotas (Anson and Simpson 1988:308-9).

The role of MNC subsidiaries in LDC textile and clothing production should therefore not be exaggerated. Moreover, the expansion of multinationals within the textiles and clothing industry has been extremely uneven. Foreign direct investment tends to be located in other industrialised countries rather than LDCs, and is driven by a number of factors, particularly the need to gain access to foreign markets. A recent phenomenon has been the international expansion of firms based in the NICs who have also sought to circumvent barriers to their expansion through the establishment of overseas subsidiaries.

The spread of international subcontracting arrangements, which more closely approximates a 'cheap labour' strategy,

has also been unevenly distributed. Proportionately, offshore assembly has been more important for West German and American manufacturers and has been positively assisted by special tariff provisions. But firms adopting decentralised production strategies may incur an additional set of problems and contradictions, such as poor product quality, low productivity, long lead times and high labour turnover. Corporate strategies based on 'cheap labour' can only ever be successful in a limited, temporary sense. The expansion of investment in LDCs is often associated with demands for better wages, union organisation and industrial conflict. For example, the general expansion of investment in South Korea has generated demands for wage rises, union organisation and an escalation of industrial disputes. Gordon (1988:51) points out that the ratio of average Korean manufacturing wages to the US rose more than five fold over 1966-79 and these relative increases could potentially price producers out of labour intensive industries or provide an imperative for relocation to lower waged LDCs. In short, 'cheap labour' does not pose a long term solution to the problems of capital accumulation.

3.7 Technology and the Relocation of Production

A considerable gap exists in average labour costs between developed countries and the LDCs in the textiles and clothing industries. UNIDO estimated in 1978 that average hourly gross wages in textiles in developed countries were 8.5 times higher than LDCs (UNIDO 1983:236) and the ratio for clothing was even higher. Recent figures on earnings ratios for 1987 (cf. table 7) indicate that the comparative wage differential between America and one of the lowest waged textile producers, Indonesia, is a factor of 46, whilst the wage differential in favour of Indonesia compared to West Germany is 65. It is, of course, easy to exaggerate the gap between developed and developing countries by comparing the highest and lowest paying countries, like Indonesia and China. In contrast, the wage differential between one of the Asian NICs, Hong Kong, and America is only a factor of 5 (13).

Table 7: Earnings ratios in textiles 1987

	Gross Earnings $/hr	Index of Hourly Earnings (USA=100)
Netherlands	13.75	148.81
West Germany	12.98	140.48
Italy	12.67	137.12
Japan	11.99	129.76
France	9.99	108.12
USA	9.24	100.00
UK	7.09	76.73
Spain	4.78	51.73
Hong Kong	1.93	20.89
Portugal	1.83	19.81
Turkey	1.28	13.85
India	0.65	7.03
Phillipines	0.57	6.17
Sri Lanka	0.31	3.35
Indonesia	0.20	2.16

Source: Anson and Simpson 1988:61/62

Other components of total labour cost, such as social charges also tend to be lower in the developing countries (with some exceptions such as Uruguay, Mexico, Brazil) and the working week is typically longer outside developed countries by, on average, six to eight hours. But although Third World wages and social charges may be lower it does not necessarily follow that unit costs of production are lower, for the latter also depend on productivity rates.

3.7.1 The Textile Industry

In textiles, productivity rates do tend to narrow the cost differential between developed and developing countries. Table 8 indicates that in 1980 US productivity was almost eight times higher than in Pakistan - the lowest waged textile producer. When combined with low wages the labour cost differential in favour of Pakistan in relation to the US is reduced from a factor of 17 to one of 2.

Table 8: Productivity Ratios in textiles, 1980 (US=100)

	Productivity	Hourly Earnings	Labour Cost Per Unit of Production
UK	56	96.6	141
Belgium	87	171.8	196
France	74	95.3	157
West Germany	87	168.1	193
Holland	86	170.0	215
Italy	76	124.8	151
USA	100	100.0	100
Japan	74	82.2	101
Egypt	14	6.2	43
Pakistan	13	5.7	46
Turkey	41	18.0	48

Source: Cable and Baker 1983:56

Moreover, a GATT study reported that productivity in textiles in the developed countries rose by 3% to 4% a year in the 1970s while it remained relatively flat for the

developing countries (GATT 1984).

Other cost factors in addition to wages are important. The OECD (1983:88) found that the landed price of cotton yarn and fabric imported from South Korea was higher than Germany and the US due to higher transport and capital costs. On the basis of 1987 data, Anson and Simpson (1988:63) compare all manufacturing costs, with some consideration of proximity to markets embodied in transport costs. In spinning, wage rates in India were only 13% of those in West Germany and South Korea had a similar wage cost advantage. But wage costs accounted for only 40% of manufacturing costs in spinning and 39% in weaving. Once productivity differences were taken into account, the gap in total manufacturing costs narrows. Indian manufacturing costs become 67% of those for West Germany while South Korea's are 53% - if the final elements of freight and insurance are added West Germany needed a tariff of 22% on South Korean yarn to compete on the basis of price alone. In the case of India, a tariff of 21% is needed. Cable and Baker's 1983 comparison based on 1978 data showed that West Germany needed a 3% duty on yarn from South Korea and 12% on cloth, whilst the US needed no protection at all. Their conclusion (1983:57) was that 'in textiles....low labour cost countries are unlikely to have a strong trading advantage.' Productivity differentials tend to narrow the comparative advantage of even the lowest waged LDCs.

Theoretical analysis indicates that a narrow focus on labour costs seriously underplays the significance of technological

developments in raising productivity and reducing unit costs of production. In fact, it has been argued that the most important aspect of new technologies is their potential to initiate the relocation of labour intensive production processes back to the developed economies (Jenkins 1984, Kyoung Cho 1985, Lipietz 1987). To what extent are new technologies reshaping the international structure of textile production?

A long run trend of the textile industry has been towards more capital intensive production methods. In textiles, capital intensity (capital stock per worker) has risen in a large range of developed countries at a rate in excess of that for manufacturing as a whole. The level of investment per head in textiles in the EC rose to Ecu2.394 in 1984, an increase of 125% on its 1977 value. So, despite the fact that labour costs form a relatively high proportion of total costs in textiles and clothing (eg. in 1986, 28% of total costs in textiles, and 34% in clothing), in state of the art European and American textile mills labour costs can be limited to between 8% and 20% of the value of sales (Textile Horizons May 1986:12) (14). The main stimulus to technological development, and investment in labour displacing technologies such as rotor spinning and shuttleless weaving, has been the need for firms to cut unit production costs to compete more effectively with lower waged economies (OECD 1983:18). In addition, West European countries have engaged in scrapping redundant machinery - 42% of 1973 weaving capacity and 23% of ring spindle capacity was scrapped over the period 1973-78.

Are new technologies initiating a relocation of production back to developed countries? Recent data on textile machinery shipments tend to support the idea of a technology induced comparative advantage. Over the period 1977-86, European countries accounted for 79% of total shipments of the higher productivity open end rotor spinning systems, whilst Asia took only 9%. In weaving, similar trends were noticeable. Investment in the less productive shuttle technology occurred predominantly in Asia (three quarters of the total). The major individual investor was South Korea with 30% of all shipments of shuttle looms. During 1976-85, Asia accounted for one third of shipments of shuttleless looms but it was Europe which held the major share in the newer technology with 44% of the total. Although a number of the Asian NICs are investing heavily in shuttleless technology (in 1985, Asia was the dominant purchaser with 40% of the demand for shuttleless looms) textile machinery shipments to Asia slumped in 1985. Compared to 1984, there has been a decline of 7% for shuttleless looms and 31% for shuttle looms. One estimate puts the value of textile machinery imports by Asia in 1984 at one third less in real terms than 1980 (Textile Outlook International November 1986b:26). This has been attributed to the critical balance of payments position of many LDCs and the negative impact of import restrictions on investment plans.

The predicament of the South Korean textile industry illustrates the problems facing LDCs. In the 1970s, textile exports rose by 31% per year but this figure fell to 7% in the first half of the 1980s and to 3% in 1987. The industry

has also experienced difficulties moving upmarket. Outmoded technology accounts for 50% of the capital stock in textiles (Textile Outlook International November 1987). The Phillippines textile industry has also suffered from poor quality, outdated machinery. It is estimated that 50% to 60% of textile machinery needs to be replaced. Indonesia too needs to scrap around 18% of its existing spinning machinery and 34% of weaving capacity (Textile Horizons January 1988:64). Although the best practice Mexican spinning mills achieve productivity levels common in Western Europe, a significant proportion achieve only one half or a third of this level (Lindquist and Sanchez 1988:15). Turkey's low labour cost advantage has also been negated by low productivity rates. Barchard (1986:21) argues that:

> 'Turkish textile firms have grown up in a management culture where labour is cheap and the solution to most problems is to throw some bodies at it'.

The result is that 60 per cent of looms are over twenty five years old (Barchard 1986).

In contrast, recent years have seen a burst of investment in developed economies. In the US, investment in textiles rose 6% in 1983, and 24% in 1984. For the EC, surveys suggest that between 1982-84 investment in textiles and clothing rose 40% in Italy, 32% in France, 25% in West Germany, and 24% in the UK (15).

Thus, a major trend in the textile industry has been the utilisation of more capital intensive production methods. This enables firms to raise productivity levels and thereby reduce unit production costs. This has not led to a massive

or immediate shift in comparative advantage against LDCs, but it is likely that investment in highly productive textile machinery and its more rapid diffusion to developed economies has maintained, at an aggregate level, their net surplus in textile trade.

3.7.2 Clothing Industry

Hitherto, international comparative advantage in clothing has been largely determined by differences in labour costs. The gap in wage rates between developed economies and LDCs has been considerable even though this has been partially offset by higher productivity in developed economies (cf. Hoffman 1985:373). Table 9 gives cost data for shirt manufacture in a number of different countries. Both Hong Kong and South Korea are able to produce a cotton shirt at two thirds of the price of the same garment in West Germany and Portugal is clearly the cheapest producer within the EC.

Table 9: Costs of clothing production - cotton shirts, 1985 (DM per piece)

	UK	West Germany	Portugal	South Korea	Hong Kong
Labour cost	3.31	4.36	1.41	1.05	0.88
Total manufacturing cost	11.97	15.17	11.34	9.49	9.58
Cost index (West Germany = 100)	91.10	100.00	74.80	62.60	63.20

Source: Anson & Simpson 1988:65

The materials handling process which accounts for about 80% of the total time required to manufacture a garment, has been technically difficult to mechanise, and the production

process has generally remained highly labour intensive. In fact, the underlying product and process technology has changed little in more than fifty years. At the national level, the low capital and technological requirements for production have facilitated the easy entry of small firms. Typically in OECD countries, firms with less than 50 operators account for 75% of enterprises in the sector but only 25% of total employment (Hoffman 1985). It is therefore unsurprising that the clothing sector was one of the first sectors where LDCs achieved rapid growth of manufactured exports to developed economies.

There are, however, signs of fairly rapid technological change in the industry. Sophisticated CAD and CAM installations in the pre-assembly phase and numerical control and microcomputer based sewing machine robotic handling devices and automatic transfer systems have become more commonplace. However, the rate of diffusion of microelectronic technology in developed economies has been much slower in clothing than textiles. The prevalence of small firms has been identified as a fundamental obstacle to the technological transformation of the industry, in the sense that such firms have neither the financial resources, scale of output nor the managerial skills to support investment in expensive automated equipment. Rush and Soete (1984:183) argue that this type of capital investment makes economic sense for large multi-plant firms only, with turnovers starting at $20 million. So far it is principally larger firms with sales above $50 million that have purchased computer aided design and computer controlled

cutting systems. Currently the diffusion of microelectronics in the assembly phase of production is even more limited and the one machine/one operator link has not been broken. On average, only 5% of the sewing machines used by large firms in Hoffman's (1985) sample had microelectronic controls. Because of the capital cost of such systems, technology induced, scale related entry barriers may be introduced into the industry for the first time (Hoffman 1985).

Technological gradualism can also be linked to labour supply factors, notably the fact that clothing manufacturers in a number of developed economies have had access to a large and plentiful supply of low paid, often ethnic female labour (Phizacklea 1987). Two factors may change this situation, notably a discernible trend towards a higher degree of concentration in the European and American clothing industries and a variety of public and private sector research and development initiatives in the developed economies, notably the EEC, Sweden, Japan and the US directed towards increasing the automation of garment manufacturing.

For example, the Japanese Government through its Ministry of International Trade and Industry (MITI) has ploughed more than $53 million into a research and development project concerned with flexible manufacturing systems, which, it is hoped, will achieve a 50% reduction in unit production costs in the industry. Individual companies are also involved in joint ventures in similar areas, notably, the Courtaulds/GEC/Pfaff research into robotic technology.

Evidence on the impact of microelectronic technology in the clothing industry tends to be ambiguous. Hoffman and Rush (1984) give a number of examples where the use of microelectronics was important in maintaining a firm or sector's competitiveness. This had occurred in hosiery, jeans manufacturing, knitted garments, children's clothes and men's shirts. In hosiery, the use of electronics in toe closing machinery and knitting equipment had raised productivity rates and enabled some US firms to close offshore plants whilst maintaining their market share. Microelectronics, particularly computer aided design and computer controlled cutting machinery, had enhanced the ability of large firms to compete in certain product categories such as men's shirts and jeans manufacture. Several US jeans manufacturers had responded to higher productivity rates in their US locations by closing plants in Western Europe and reducing their subcontracting from Asian firms.

A recent survey of a small sample of US firms (Mody and Wheeler 1987) indicates that in 1985, US clothing firms were planning to locate future capacity either within the US or the Caribbean. This represents a shift away from Far Eastern countries which have traditionally dominated LDC clothing exports. Mody and Wheeler (1987) point out that the more time sensitive the product market, the more attractive become US or US-Caribbean production locations. For integrated, automated clothing production based in the US, total time in process and transit is only ten days. This increases to over a month for US-Caribbean production

locations; to over two months for Korean and Chinese production using less advanced technologies and to nearly three months for US-Asian joint production. They argue that in the future the tendency to locate outside the US continent will be weaker than in the past. More generally, over the next decade, it is predicted that the Asian NICs will lose ground to China and US/Caribbean joint operations. These middle income developing countries, - termed the 'vanishing middle' by Mody and Wheeler (1987) - face dual competitive pressure from Western and Japanese firms adopting new technology and from lower waged developing countries, such as China, the Philippines, Indonesia, the Caribbean, and Mexico.

But Mody and Wheeler's (1987:1271) research also indicated that, as yet, automation does not constitute an instant competitive panacea for the developed countries. Based on a sample of six 'price-sensitive' products, US producers using fully automated plants (ie. robotic technology) were lower cost than Korean producers in only two garment categories and came close in a third. Their research suggests that automating the remaining three garments (men's slacks, men's and women's knitted shirts) would cost so much that US producers would still not be remotely cost competitive. When using the best of currently available technology (semi-automated), US producers in all six product categories were not price competitive with their Korean counterparts. In fully integrated garment production, China was the least-cost in all garment categories with both Korean and US producers at a clear cost disadvantage. Thus, the ambiguous

nature of the evidence appears to indicate that new technology has not led to an immediate and massive shift in comparative advantage against the Third World. Moreover, there has, as yet, been no quantifiable impact on international trade patterns with the developed economies maintaining at an aggregate level a net deficit in clothing trade.

Are LDCs passive victims of a technology induced shift in comparative advantage? It is certainly the case that the rate of diffusion of microelectronic clothing technology appears to be very much slower in LDCs than in developed countries. Less than 7% of CAD systems have been sold to LDCs and these went primarily to the Asian NICs (Hoffman 1985:377). But the competitive situation in an industry as internationalised as textiles and clothing is dynamic and within the LDCs, both governments and employers are actively attempting to restructure the industry. In July 1987, the South Korean Government set up a three year rationalisation and modernisation programme in which low interest long term loans were allocated to textile companies for the replacement of outdated machinery. The cotton spinning, synthetic fibre and weaving industries are engaged in technological development and many textile firms are now focusing on specialty products with increasing emphasis being placed on marketing techniques and the quality requirements of the West European market. Due to rising labour costs, Cable and Baker (1983:136) argued:

> 'One inevitable result is that Korea will have to accept that it cannot compete in the way it has before in the more labour intensive garment operations'.

Firms are now beginning to change their competitive strategies by selling higher value products to MFA quota areas (ie. the developed economies) whilst expanding lower cost exports to non quota areas in Africa, Asia, Latin America and the Middle East.

The Malaysian Government too has instituted a restructuring plan to facilitate the introduction of more modern textile technology and marketing techniques (Textile Outlook International March 1988). In Hong Kong, and Taiwan, textile and clothing firms are attempting to move upmarket to higher value added products with an emphasis on improved quality, service and design. In 1981, the current Taiwanese ten year plan set out certain objectives for the industry, including automation, modernisation of finishing, and upgrading of design skills as well as diversification into other export markets. The Turkish Government also recommends a shift to high value added products, accompanied by better quality and productivity, as well as the development of garment manufacture rather than cotton spinning. Perhaps, though, of most threat to the industrialised countries are the Southern European textile and clothing industries, particularly Portugal and Spain who are not only part of the EEC but also have a crucial competitive advantage over the Far Eastern NICs because of their proximity to the markets of Western Europe and their lower labour costs.

In short, a major trend in the textile industry has been the utilisation of more capital intensive methods of production. This enables firms to raise productivity levels and thereby

reduce unit production costs. This has not led to a massive or immediate shift in comparative advantage against LDCs, but it is likely that investment in highly productive textile machinery and its more rapid diffusion in developed economies has maintained, at an aggregate level, their net surplus in textile trade. Garment manufacturing, though, is still a predominantly labour intensive production process. Pre-assembly microelectronic technology appears to have had some impact on the competitiveness of a number of firms, particularly large firms, and their investment decisions. But as yet, there has been no quantifiable impact on international trade flows. Moreover, firms in the LDCs, particularly the Asian NICs, have also sought to modernise and upgrade their capital stock which has been facilitated in a number of cases by government action.

3.8 Textiles and clothing: the site of 'new' competitive strategies?

So far, the impact of price factors on international competition in the industry has been considered, but non-price factors - such as speed and reliability of delivery, product quality and design - although intrinsically difficult to measure, are also important features of current competitive relationships.

In the context of slow growth in the industry, textile and clothing manufacturers in the developed economies have sought to maintain their market share by segmenting the market into heterogeneous niches. Firms have differentiated their products from those of their low cost competitors by shifting to the production of high value added, high quality goods. It has also involved engaging in other forms of non-price competition, such as the use of brand names to differentiate products both from unbranded imports and from retailer's brand names. Branding enables a company to command a price premium but it requires considerable financial and marketing resources. It is only recently that clothing firms have had the financial and marketing leverage to realise its potential. Such techniques have been most visibly used by multinational jeans manufacturers who produce long runs of products in a relatively standardised form. As the Blue Bell (Wrangler) Vice President said:

> 'We are after clothes of a standard design that the masses buy and that can be produced in volume through mechanised assembly and marketed with the Wrangler brand. We have spent $75 million on the Wrangler name, and we are cashing in on that now'. (Clairmonte and Cavanagh 1981:209)

The use of brand names and substantial advertising expenditure has enabled some (large) clothing manufacturers to escape from 'the straitjacket imposed on it by the retailer' which formerly meant that control of the market was in the retailers' hands' (Textile Horizons January 1988:24). In the case of Benetton, the Italian clothing multinational, advertising accounts for a higher proportion of the value of sales (2.8%) than research and development expenditure (0.5%) and it is becoming increasingly important.

Such strategies illustrate that competition purely on the basis of price is not the only way for firms to maintain or increase market share. But it has been argued that these trends denote new forms of corporate behaviour. Elson (1988a), for example, has argued that multinationals in the textile and clothing industry have shifted away from the 'supply of manufactures' to the supply of manufacturing 'services'. Thus:

> 'TNCs are defining their function not in terms of production, but in terms of the co-ordination of decentralised production, with much greater emphasis on marketing, finance, and licensing.' (1988a:35)

Benetton, in particular, has been drawn upon as an example of current industrial restructuring, notably, the application of integrated information technologies to the areas of marketing and distribution (Murray 1985).

But is the emphasis on marketing, and methods to coordinate production and distribution a particularly novel development? Chandler's (1977) historical analysis of the evolution of large-scale American enterprises indicates that

an emphasis on the coordination of production and sales, and the marketing of products, has been a relatively enduring feature of the strategies and preoccupations of modern corporations throughout the twentieth century. The integration of mass production with mass distribution initially took the form of mergers, verticalisation and the establishment by manufacturers of national and global marketing networks/purchasing organisations. The internalisation of the processes of production, marketing, and purchasing:

> '..reduced transaction and information costs. More important, a firm was able to coordinate supply more closely with demand, to use its working force and capital equipment more intensively, and thus to lower its unit costs..'. (Chandler 1977:286)

Moreover, as Williamson (1980) points out, the degree of internalization, and the kinds of contractual relations that characterise firms, are not immutable phenomena but have changed over time. Firms are essentially proactive agents. They actively seek to strengthen their market control by transforming the obstacles and constraints confronting them in their competitive environment. So, although the form of integration of production and distribution may have changed - along with the evolution of 'new' technologies of coordination - the emphasis by firms on the marketing of products and the matching of supply with demand does not constitute a new stage of industrial development or an intrinsically novel feature of corporate behaviour. It merely represents the continuous preoccupation of firms with methods to realise profits through the establishment of mechanisms to ensure that products are not just manufactured but also distributed and sold.

Textile and clothing manufacturers are currently attempting to coordinate the production and distribution of their products in a number of ways. One strategy has been the adoption of Japanese style 'Just-in-Time' production methods to minimise stockholding costs and reduce delivery and lead times. It is estimated that total delivery time from the arrival of raw materials (fibre) to sales of garments is 13 months (Gilmartin 1987), with only 24 out of 56 weeks in the total cycle spent in manufacturing. In primary textiles, only 24% of total time was used in manufacturing. But in making up, the situation was even worse with only 1% of production time spent in manufacturing. The British Knitting Economic Development Council (KEDC 1987) found considerable evidence of unnecessarily long lead times in the UK knitting industry. The longest recorded time was 52 weeks for a [illegible] fully fashioned sweater - knitting and dyeing took one to two days whilst the fibre was sitting in stores or factories waiting to be processed or sold for the other 363 days. The KEDC (1987:13) report proposed that lead times could be halved:

> 'the main rewards of increased responsiveness for UK knitters are likely to take the form of competitive advantages over at least the distant foreign suppliers to the home market - at best it could lead to the supreme protective device of inducing retailers to adopt procurement practices into which distant suppliers cannot fit'. (16)

Benetton's utilisation of a just-in-time approach to production and distribution has underpinned its transition from a small Italian family business in 1965 to one of Europe's largest clothing firms. But this has also been combined with a 'putting-out' system of manufacturing.

Benetton's direct labour force numbers 1,600 whilst an additional 15,000 to 20,000 are employed in approximately 300 small subcontracting firms. Production occurs in Benetton owned factories only in the crucial initial phases of design, and cutting and those stages at the end of the production cycle, such as dyeing, quality control, packaging, labelling, warehousing and delivery. Subcontractors located at or near Benetton in the Treviso district of Italy, are involved in the labour intensive phases of the production process such as garment assembly, ironing, finishing. They perform around 40% of the company's knitting, 60% of garment assembly and 80% of finishing. Subcontractors can be divided into four categories - those under the financial control of the Benetton family through various financial companies; affiliate firms which belong either to former employees or actual Benetton managers or clerks (here Benetton guarantees orders in the start up phase); independent firms and homeworkers (cf. Belussi 1987).

Subcontractors generally agree to work exclusively for Benetton and in return are offered stability of demand and the guarantee of a 10% profit margin on their sales. The system of subcontracting utilises external management resources and reduces labour costs (in terms of unit labour costs the saving is about 40%). Labour productivity in subcontracting firms is estimated to be 10% higher than Benetton owned firms attributed by Belussi (1987) to management having greater control over the workforce and the ability to enforce a faster working pace.

Benetton has combined the domestic subcontracting of production with forward integration into distribution through franchised retail outlets. Benetton was the first firm in Italy and possibly in the world to introduce a system of franchising in textiles and clothing. Retailers which sell Benetton's products do not pay any royalties but cannot sell any other make of clothing. In 1985, it had 2,000 shops abroad but eventually it is estimated Benetton will have 4,000 outlets in 57 countries (17). Benetton imposes the price of each item on retailers but generally it receives a higher share of the final price than European or American competitors (61% compared to 55%-56%) and at the same time retailers get higher net profit margins (Belussi 1987:34-35).

Other important agents which gravitate around the Benetton system but are not directly owned by the company (although controlled by them) are material suppliers with whom Benetton has a monopsonistic relationship. Benetton purchases wool from just one firm, the (formerly) publically owned company of Lanerossi which means Benetton represents 70% of Lanerossi's sales. In cotton fabric, one supplier covers 50% of Benetton's demand which is controlled by Benetton through a 30% shareholding.

Information technology is the 'glue' that integrates the spheres of production and distribution and is the key to the managerial control and coordination of all Benetton operations, particularly during its overseas expansion in the 1980s. New technology has been vital to Benetton in

marketing, distribution, design, pattern marking and cutting rather than assembly operations. More importantly, Benetton has used new technology to improve the speed of information flows throughout the whole system. The franchised shops are in close contact with head office and report weekly takings/ detailed sales trends. In 1985, all information about each product was recorded on automatic cash registers in each of about 200 shops located in four strategic markets. Every day this information is recorded on a main computer at Benetton head office which enables real time projections on market trends.

The important feature of this system is that Benetton manufactures garments in response to direct orders from the retail outlets as the pattern of sales and extent of re-orders is regularly fed back from the shops to Benetton. Planning of production based on the shops' orders reduces seasonal peaks, inventories and the average length of time that garments spend in the warehouse. This centralised information system enables Benetton's products to reach its franchised retail outlets very quickly and facilitates a rapid response (ten days) to re-orders by both domestic and foreign shops (Belussi 1987). Franchised retailing (a case of forward integration based on 'control' rather than direct ownership) constitutes a particularly effective method of extending the company's access to foreign markets. It guarantees outlets for Benetton's products, enables easier planning and coordination of the production process and provides a vehicle for advertising and marketing.

Although Benetton's products have been concentrated in the areas of the fastest growth of demand the system is not immune to problems. The company has been likened to:

> 'an elephant balanced on a tub.....One year of poor sales for pullovers or jeans, a slip of image or an off key collection would have the elephant for all its famous flexibility with its legs in the air.' (Finnerty 1987:75).

Saturation point has been reached in Italy and the UK where the momentum of growth has faltered. Further growth may come from diversification into other products, such as home furnishings, real estate, and in-store credit cards. The company articulated in its 1985 Annual Report a new strategy of diversification into financial services. It aims to reach the same strength in financial services as in clothing (L1000bn) but Finnerty (1987) argues that diversification into finance and banking may mean it is spreading its resources too thinly. Competition has intensified with Benetton clones like Stefanel increasingly operating on an international basis through franchised retail outlets. Hence, Benetton may face saturation in its main markets not only as a result of its own growth but also as its competitors attack the same market segments.

In one sense, Benetton is not really a manufacturing multinational but more a marketing and distribution MNC (cf. Elson 1988a:14). Despite the extensive internationalisation of its retailing functions (controlled but not owned by Benetton through franchising) it has made few overseas investments in production. Nor, contrary to Murray (1985), is Benetton typical of a flexible specialisation production model or the resurgence of the small firm. Benetton's single

coloured classic knitwear is a standardised Fordist product. It is manufactured in grey (undyed) form and then dyed at the end of the production cycle when product differentiation occurs.

The novel feature of Benetton's expansion is that it occurred through the development of a network of 'controlled' firms rather than the extension of direct ownership but this does not imply a trend to smaller firm size. Benetton has, in effect, a quasi-vertically integrated structure. The company controls its satellite firms in production and distribution without owning them because of its centralised possession of the information flows vital for production and retailing and the structured monopsonistic dependency of suppliers, subcontractors and retailers on Benetton itself, all of which are tied into the system by a variety of means. The proximity of subcontractors to the Benetton operation itself avoids the loss of managerial control and economic costs associated with international subcontracting. The firm is responsible for the strategic functions of control and coordination of production and distribution (ie. planning, marketing and those manufacturing phases requiring the most complex technological knowhow) whilst most labour intensive manufacturing functions are subcontracted to firms which concentrate entirely on production tasks. Benetton's strategy is to maintain complete control over these firms - each subcontractor is responsible for only a particular phase in the production process and never the production of a complete item. Benetton advises on machinery layout and

the most efficient production methods (cf. Belussi 1987:74). Such an image of an essentially 'fragmented' production process determined and controlled by an external firm is hardly reminiscent of the autonomous artisan craft workshops so celebrated by flexible specialisation writers.

It has been argued that the shift to high value added products, and the utilisation of integrated information technologies and just in time production methods, typical of Benetton, constitutes the emergence of a new polarity in the structure of international competition in the industry (Zeitlin 1985). Firms in the developed economies have shifted to strategies of flexible specialisation underpinned by 'new' automation technologies, whilst LDCs are left to concentrate on the production of basic fabrics and mass merchandise clothing in line with their comparative labour cost advantage. These factors are leading to:

> 'a visible shift in the relocation of production in the clothing industry from the Third World in favour of Western European countries since the beginning of the 1980s'. (Mitter 1986:46)

But international competition in the industry tends not to be characterised by clear cut shifts in comparative advantage or dichotomous relationships between the developed and developing countries. For example, although just-in-time production methods enable high labour cost countries to reduce emphasis on price and transfer it to delivery and service, it is more plausible to argue that comparative advantage would shift to Southern European countries like Turkey and Portugal which have lower labour costs and proximity to European markets rather than North European

manufacturers (cf. Grahl 1983). A West European buyer can receive goods within a week from Portugal, and Turkey is only two days away from the major West European trading countries.

More importantly, Third World firms, particularly in the NICs, are attempting to overcome this type of competitive obstacle. Far Eastern exporters are also introducing just-in-time production methods. The NEDC (1987) report gives an example of one Far Eastern knitwear manufacturer who has invested in new technology to reduce lead times from three to two weeks whereas the best practice in the UK for a similar product is four to six weeks. In fact, not only has protectionism facilitated the establishment of Third World multinational corporations and foreign direct investment to developed countries and lower cost developing countries, but it has also encouraged LDCs to move upmarket, to increase the value of their exports because bilateral quotas limit export volume. This, in turn, will intensify the competitive pressures on firms in the developed countries which have also shifted production upmarket.

Chapter Four: State Intervention: The Developed Economies

The discussion, so far, has centred on the strategies of firms, and especially the role of multinational corporations in the process of the industry's internationalisation. But competition from LDCs has, in turn, encouraged the state in the developed economies to actively intervene in the industry. The objective of this chapter, then, is to focus on the character and nature of state policies towards the industry.

The central argument is that state intervention has often been characterised by mutually inconsistent objectives and has generated contradictory outcomes. A major thrust of sectoral policy has been to facilitate the restructuring of firms to the imperatives of international competition. But the provision of financial subsidies to rationalise and modernise the industry's productive base has coexisted in a number of countries with measures which potentially delay the structural adaptation of firms to international competition. For example, employment maintenance subsidies tend to cheapen the cost of labour to firms and therefore renders the adoption of labour displacing technologies a less attractive option. Trade restraints seriously limit the access of Third World firms to markets in the developed economies and contradict the intention of other state agencies (GATT, IMF, World Bank) to liberalise international trade and to encourage LDCs in the direction of strategies of export led growth, and the dismantling of tariff barriers. Moreover, the defence of markets against competition from LDCs coexists simultaneously with

favourable trade and customs provisions which facilitate the mobility of multinational firms, and the relocation of production to lower waged economies through offshore processing arrangements.

The emphasis on the character of state intervention is counterposed to comparative analyses which tend to attribute the differential performance of the industry within the developed economies to the extent of state intervention or entrepreneurial self reliance. Such analyses tend to focus on one or two successful industries (ie. Germany and Italy) which are then used to judge and evaluate the performance of industries in other countries. But the differential performance of the industry within these countries ought not to be simplistically attributed to the degree of state intervention. A more satisfactory approach recognises that industrial development is related to a complex of economic and political forces which take specific shapes in particular countries. The following discussion therefore attempts to draw out general issues regarding the relationship between the state and the industry, and the ambiguous nature of intervention in this sector.

4.1 Structural change and state policies: an overview

Protectionist agreements were initially intended to be temporary measures to allow the textile industries of the developed countries to structurally adjust to competition from low cost LDCs by investing in capital intensive machinery, shifting into non competing products and scrapping antiquated and outdated plant. One outcome has

been a dramatic transformation in the structure of the industry in most developed countries.

Formerly, the industry was characterised by a large number of small and medium sized, mostly family enterprises and concentration levels tended to be well below the manufacturing average. The strong movement to concentration in textiles is attributable to a number of factors, notably, the attempt by synthetic fibre firms to increase their share of textile output and in some countries (UK and Japan) direct acquisition of a large amount of textile capacity by vertical integration and the diffusion of mass production technologies, especially in the cotton industry which tended to the integration of spinning and weaving processes.

The governments of the developed countries have been active in facilitating various forms of structural adjustment which have favoured the rationalisation and modernisation of the industry and in many European countries, as well as Japan, governments have positively supported mergers and takeovers (except the US). Even where scale economies were not of consequence, as in clothing, it was believed that other benefits of size arose from the greater marketing, management, and financial resources of large companies (OECD 1983:25-27, Anson and Simpson 1988:46). Thus, concentration in clothing has tended to increase over the postwar period, particularly in those countries with a relatively concentrated clothing retailing business (ie. UK and Finland). However, concentration levels are generally higher in textiles than clothing (OECD 1983:27). According to the

OECD (1983:27) textiles and clothing are moving to divergent corporate structures:

> 'In both industries, flexibility in responding to output changes remains critical but this appears to be more compatible with a high level of concentration in basic textiles than in the rest of the industry.'

The overall trend to increasing size and concentration in textiles has proceeded at different rates in the developed countries (cf. table 10).

Table 10: Concentration characteristics of textile industries in selected countries, 1985

	West Germany	Italy	USA	UK	Japan	France
Employment						
Largest 1 firm	9,713	14,994	117,300	111,500	32,375	43,887
Largest 5 firms	15,206	16,228	149,900	136,613	32,814	50,325
Largest 10 firms	16,104	23,435	210,030	156,000	50,827	75,606
Number of firms with turnover over DM1 bn	-	2	19	5	18	4
Share of sales in largest firms to sales of world's top 250 firms (%)						
Largest 5	2.1	2.6	15.2	7.2	8.2	5.4
Largest 10	3.5	3.6	21.9	8.5	11.8	7.1
Largest 20	5.8	6.7	29.5	9.4	15.9	8.4
Cumulative share of employment in largest 10 firms to total textile employment (%)						
1965	13	...	29	38	13	14
1970	15	14	35	57	11	33
1975	16	16	36	78	10	31
1980	14	18	34	67	8	38

Source: Anson and Simpson 1988:42

The US industry, for example, is dominated by large firms although there has been no government backing of mergers. Currently, US firms constitute five of the world's top ten

textile firms and twenty two of the top fifty. The average employment levels of the largest ten are a staggering 21,000 higher than in West Germany, Italy, the UK, Japan and France. The concentration of the US industry has recently increased with a number of important mergers involving the largest companies. By 1990 it is estimated that the fifteen largest corporations will have increased their share of output from 25% to 40%. This has been accompanied by diversification into other activities particularly in consumer goods manufacturing so conglomerates have become more common. American textile mills tend to be concerned with manufacturing long runs of a small number of products for a large, and well protected domestic market. Although Burlingtons, and J P Stevens are amongst the largest textile firms in the world, and are involved to some extent with foreign investment, they rely heavily on the US market (18).

The UK has probably the most concentrated textile industrial structure amongst the developed countries. State backing for fibre producers' attempts to restructure the industry led to high levels of concentration in most branches. The share of establishments with more than 1,000 employees in net output rose from less than 13% in 1948 to 22% in 1970 in textiles and from 5% to 13% in clothing (OECD 1983:25). By 1980, five firms accounted for half of all employment in the UK textile and clothing industry. There has been renewed merger activity in the 1980s with the formation of the Coats Viyella group (now the UK's largest textile company) from four previously independent firms and the emergence through acquisition of the John Crowther group. UK governments have

directly intervened in the industry through a number of specific sectoral programmes. The present Government, in contrast to other European governments, is no longer running special sectoral schemes to help either industry. An attempt to introduce a relatively modest scheme in the mid 1980s involving £20 mn. of assistance to upgrade the technology of small firms in the clothing, footwear, and knitting industries was turned down by the EC in 1985 on the grounds it would merely transfer remaining structural problems and employment from one member state to another.

As in the UK, the impetus for concentration in the French textile industry came from the leading synthetic fibre manufacturer - Rhone Poulenc, again with the positive assistance of the state, mainly through tax incentives. There have been strong linkages between Rhone Poulenc and textiles through common shareholdings in a leading textile group: Dollfus Mieg, as a result of which the top three producers have over a third of looms and spindles (Cable and Baker 1983:39). The favourable attitude of successive French governments towards concentration in textiles tended to cool in the late 1970s as several very large firms collapsed. Aid was given specifically to textiles in the form of grants to rescue ailing firms from bankruptcy, such as Boussac.

French textiles differs to the UK in the extent to which small or medium sized firms have remained in existence. Small and medium size companies (less than 200 employees) make up one third of sales and account for 40% of the workforce. In clothing, two thirds of all enterprises employ

fewer than ten employees but account for 12% of the total number of employees. In fact, the largest companies (500 +) make up only 0.1% of the number of firms and employ fewer than 3% of the total clothing workforce.

But in contrast to the UK, French governments have been particularly proactive in their attempts to restructure the industry in response to severe import competition. In the 1980s the Government semi-nationalised and became deeply involved in the reorganisation of Boussac Saint Freres and Rhone Poulenc's loss making textile activities when the chemical giant was taken into public ownership. The French state also gave loans to help other textile firms in difficulties, particular Bidermann and Prouvost in 1981.

Early in 1982, the French Government approved a plan to aid France's ailing textile industry. Under the two year programme the Government agreed to subsidise social security contributions by textile firms in return for commitments on employment and new investment, with a view to modernising the industry and making it more competitive (19). One estimate has put the cost at nearly 3.5 times the level of subsidies granted in 1980. But the Plan appears to have succeeded in its objectives. Between 1981-83, the rate of investment doubled; the annual rate of reduction in the workforce dropped from 7% to 2% and total investment increased by 38%. Participating firms increased their investment by 47% in real terms over the period - 23% in textiles, 75% in knitwear and 125% in clothing.

Japanese industry is at a similar stage to France in its level of concentration but this may be misleading given the influence of the giant conglomerates (Zaibatsu) which exercise an influence through interlocking directorates and joint ventures as well as shareholdings in subsidiaries. The large trading companies are linked with textiles through various shareholdings and joint ventures (eg. Mitsui with Toray/Itoh with Teijin). The major distinguishing characteristic of the Japanese textile industry has been its involvement in foreign direct investment, which was accompanied by diversification into non textile products (20).

Japanese textile and clothing firms have been supported in their efforts to rationalise and modernise plant by the state, and the Ministry of International Trade and Industry (MITI) has been particularly influential in shaping the textile industry over the years. Government related financial agencies have provided loans, for small and medium sized firms in particular, to close down excess capacity. It is estimated that, since 1973, 20% of textile facilities have been disposed of in this way (Anson and Simpson 1988:142). Firms seeking to convert to other sectors were given special monetary and financial support under a government sponsored business conversion programme. For firms remaining within the industry but seeking to adapt their products or technology, funds have been available from MITI. In recent years government assistance has concentrated upon helping firms give greater emphasis to research and development, and high quality products, especially in

clothing.

Two countries stand as exceptions to the general trend to increasing size and concentration in textiles - West Germany and Italy (21). West Germany has no firms with a turnover of more than DM 1 bn. and its largest firm, Freudenberg, just makes it into the world's largest fifty. During the 1960s, many leading firms adopted the strategy of vertical and horizontal concentration to exploit the scale economies derived from manufacturing long runs of standardised clothing. Other firms opted for specialisation in fashion goods and household or industrial textiles. During the early 1970s, the growth of low cost textile and clothing imports and rapidly rising real wage costs made a mass market strategy relatively uncompetitive. Consequently, many firms collapsed or were converted to specialisation. The number of textile firms shrank from 4,500 in 1960 to 1,800 during the late 1970s. The West German industry's strength is built on these medium sized firms (employing 200 to 3,000 with none more than 6,000) which remained after the shakeout of the 1970s and concentrated on using advanced textile machinery to produce high quality textiles.

The West German Federal Government favoured liberalisation with no significant sectoral policy for textiles. Nevertheless, the regional governments frequently stepped in to rescue ailing firms and operated their own industry wide assistance programmes providing subsidies for investment and loan guarantees. Contrary to Shepherd's argument (1983) concerning the link between the success of the West German

textile industry and the absence of government intervention, it appears that the extent of assistance to textile and clothing companies at regional level has been quite extensive. One estimate has put the figure at an average of DM 200 million per year directed towards the textile industry between the period 1980-82 (Hartmann 1985:7).

In the 1970s, Italy emerged as the world's largest net exporter of textiles and clothing, steadily increasing its market share. In the adjustment pattern followed during the 1970s, the decline of the large vertically integrated firms has been most marked. Since the 1950s, a deconcentration and deverticalisation process has left Italy with relatively few large firms and a dominant role for small firms of 100 employees or less specialised by products or production phases. According to the OECD (1983:138), the large groups have not necessarily disappeared but, when surviving, they now have a more flexible organisation and a number of small independent firms are connected with the parent company only through financial and sometimes marketing linkages. This change in industry structure did not affect all the different branches to the same extent, but was most marked in woollen fabrics, knitting and clothing, and many small firms operating in a single production phase took advantage of the high geographical concentration of the textile industry in areas (Biella and Prato for the wool industry, Como for the silk industry and so on) where the costs of transportation, information etc. among firms are very low and external economies quite high.

In the clothing and knitting industries, restructuring was accompanied by a growing recourse to homeworkers. This reorganisation was primarily an attempt to reduce labour costs and to evade state legislation and trade union organisation in the pursuit of greater labour mobility. Nevertheless, the counterpart of this restructuring process has been the weakness of research and development activities, notably in synthetic fibres and in the highly capital intensive parts of the textile industry.

The Italian Government has operated extensive schemes for the textile and clothing industries, with subsidies for restructuring and industrial investment. Since 1976, many firms in southern Italy have benefited from investment grants and interest relief on loans for the establishment of new firms or the reopening and extension of existing firms. Both textile and clothing firms also benefited from general aids to industry such as schemes to reduce the levels of unemployment insurance of small firms and low interest loans available since 1972 for reorganisation and restructuring. The state has also paid a proportion of national health insurance contributions, and textiles and clothing have been the major sectoral beneficiaries of government support to workers on short time.

According to Cable and Baker (1983) much old equipment was scrapped in the modernisation programmes, although large scale state aids have led to an increase in unused capacity of up to 40% in some plants. It is estimated that state subsidies approximate $356 per worker per year. Many private

firms have been taken over by public holdings which now control about 5% of the total employment in textiles and more than 10% in clothing. In textiles, government aid has been poured into large, high technology production.

Clearly, the nature of public intervention is no simple explanation of the differential performance of the industries in these countries. Shepherd (1983) emphasises strong entrepreneurial self reliance which he argues was encouraged by the West German Government's liberalisation policy and abstinence from structural policy. But state intervention occurred in West Germany at the regional level and the Federal Government's encouragement of offshore processing ensured to some extent the survival of a capital intensive textile industry. Italy has had strong protectionist governments and an interventionist structural policy, whilst remaining extremely competitive in textiles and clothing. Moreover, there are signs that firms in the Italian industry are beginning to increase in size in an attempt to reap scale economies. Anson and Simpson (1988:238) argue that Italian firms in addition to Benetton are recognising the limitations which their small scale of operation and fragmentation imposes - market barriers (especially when it comes to exporting), a lack of bargaining power with suppliers and customers, and their inability to capitalise on other scale economies. They cite the recent handing over to the private sector of Lanerossi, which has become part of Marzotto, creating Italy's largest textile company with annual sales of L1,300 bn. (larger than Benetton) and the takeover by Marzotto of Bassetti, involved

in household textiles.

It has been argued that the deterioration in the competitiveness of French and UK textiles is due to the weakening of the entrepreneurial base by long term decline in the case of the UK (a tautologous argument) and by protectionism in France, a less flexible labour market and a more equivocal government position towards trade liberalisation and structural policy than in Germany which favoured the emergence of large groups (Shepherd 1983). But the evidence indicates that in France and the UK, state intervention did have a rationalising effect as did the concentration strategies of the synthetic fibre firms. French state aid to the industry has increased investment and reduced employment decline.

Nevertheless, (national) state policies towards the industry have often had contradictory effects (cf. chapter 6). For example, the aim of industrial policies has been both to provide immediate financial assistance to firms in difficulty and to modernise and rationalise the industry. The latter objective has often been counterposed to employment subsidies and employment-maintenance schemes operated in most developed countries (ie. UK, Belgium, Sweden, Ireland, Norway, Japan). The OECD (1983:127) study points out that the impact of employment policies on capital/labour ratios is uncertain but by reducing the cost of labour to firms, they have to some extent contradicted the impact of investment incentives which are designed to accelerate the process of capital/labour substitution.

Moreover, both trade restraints and employment maintenance measures may have actually delayed the restructuring of the industry and the adaptation of firms in the developed economies to the imperatives of international competition, which has often been the stated objective of industrial policies.

The degree and nature of (national) state intervention in the European textile industry has in the 1980s conflicted with European Community policy. In recent years, the EC has taken a tougher stance against sectoral assistance and a number of member states have had their aid schemes challenged either by the EC or by one or more other member state for being in restraint of trade or otherwise infringing EC regulations.

The recent spate of rejections by the EC of proposals for selective textile industry assistance have a historical precedent which goes back to the late 1970s and the conjunction of the recession and the intensification of competitive pressures. In December 1979, the EC opened procedures in respect of unlawful state aids regarding a major project in the French textile industry. The French Government also fell foul of the EC Commission in 1987, when the EC asked the Government to withdraw by recovery 49% of its alleged aid to Boussac Saint Freres. This followed the discontinuation of the original Textile Plan following complaints that it distorted competition. In its place the French Government introduced a new five year scheme designed so aid was less overtly directed at subsidising production.

But in 1986, this was rejected by the EC Commission on the grounds that the scheme was so vaguely worded that the aid could still be used to give selective assistance to individual firms or to subsidise French exports to other EC members. At the beginning of 1989, the West German textile industry association (Gesamttextil) was attempting to block French regional textile subsidies which it argued were not in accord with EC competition rules and would contradict the goal of a unified European market (FT 6.1.89). Selective assistance schemes drawn up by the Dutch, Belgian and UK governments have also been rejected by the EC.

Paradoxically, despite its tougher stance against sectoral assistance in recent years, the EC has played a more active role in the restructuring of the industry. EC textile and clothing firms have in the past received aid from the Community itself, in addition to aid from national governments. The Regional Fund channels aid to safeguard jobs in regions where the textile and clothing industry provides more than 10% of total industrial employment and the Social Fund attempts to retrain workers either within the industry or to find jobs in another industry. A number of special, non sector schemes are also available to support industry research and development, from which the textile and clothing industries benefit (22). The largest scheme and one where there has been direct investment in research into new clothing technology is the EC's 'Basic Research in Industrial Technologies for Europe' (BRITE) Programme (23). A special allocation is available for 'flexible materials' aimed at the clothing industry while textiles has been

singled out by the EC as a target for allocation of the 1987-91 budget.

Contradictions have thus emerged between national European governments and the character of their intervention in the industry and the 'liberal' non-interventionist policies of the EC as a regional economic bloc. Fundamental tensions exist between the desire of national governments to stimulate the restructuring of the industry to cope with changing conditions of international competition and/or to cushion the impact of unemployment exacerbated by the regional concentration of textile and clothing employment, and the EEC's 'liberal' competition policy. The forces which led to heavy concentration of the industry in the 1960s and 1970s appear to have abated in the 1980s. Both the state and fibre companies have drawn back from further concentration in textiles and the impetus they provided in the earlier years has not been replaced. Fibre companies appear to be less interested in vertical integration than in diversification into other industries. Nevertheless, large firms have not declined in importance and the most recent experience of the US and UK indicates that the trend to larger size has not been halted.

4.2 Protectionism

A number of governments and employers in the developed economies have embraced protectionism as a defence against rising competition from LDCs. It has long been felt by various firms, trade unions and governments in the developed countries that low cost imports were largely responsible for

the job losses in the industry (24). The fear has been that, unless strictly controlled by protectionist measures, the rapidly growing tide of imports of textiles and clothing from the Third World would overrun domestic markets. The relationship between increasing import penetration and declining employment in textiles and clothing in developed countries has therefore been one of the most controversial issues in international trade relations over the post war period.

The evidence concerning the relationship between import penetration and declining employment levels in the developed countries is, however, extremely difficult to interpret. For example, a number of studies have sought to quantify the employment impacts of import growth over particular periods (cf. Cable 1977:41; De La Torre and Bachetta (1979); Soete (1984)). But studies which have used the same data often generate different conclusions. In relation to the UK, Cable (1977) concluded that if one takes the performance of clothing, cotton textiles, yarns and footwear together, over the 1970-75 period, productivity growth was twice as important as a determinant of job losses as trade related factors. In a more recent study (Rush and Soete 1984) which looked at the 1970-79 period only for the clothing industry, net job displacement from Third World clothing imports was nearly 50% (44,580) of the total job losses in the sector over that period (99,400). Moreover, genuine economic causality is often difficult to identify. Rises in productivity could be induced by an increase in import penetration or its threat, particularly in textiles (OECD

1983:80-81). It can therefore be misleading to assess the effects of LDC imports on employment in the industry in isolation from other factors.

Despite the ambivalence of the evidence, protectionist sentiments have been stimulated by the fact that the textiles and clothing industries in many developed countries are geographically concentrated in areas with high unemployment levels. Consequently, tariff and non tariff barriers directed at excluding textiles and clothing products from the Third World have continually risen in level and scope since the 1960s although national and local restrictions on textile trade date back in some cases to the 1930s. In short, textile products are the most comprehensively regulated and the longest protected of industrial goods.

The best known and most controversial system of regulation is the Multi Fibre Agreement (MFA) renewed for the third time in August 1987 (25). The MFA had its origins in the five year Long Term Arrangement on Cotton Textiles (LTA) in 1962, which was an attempt to bring the growing number of bilateral agreements under the surveillance of GATT and to allow the industries of the importing (industrialised) countries a temporary period to adjust to increased cotton textile imports from low-wage countries, which, until the mid 1970s included Japan. The LTA was twice renewed before it was replaced in 1974 by an agreement that embraced all the major textile fibres.

The MFA, which came into force in 1974, arose from a GATT initiative to identify the problems of international trade in textiles and to seek multilateral solutions. The final agreement was reached by 50 countries in 1973. The MFA allows for an exporting country and an importing country to reach a separate bilateral agreement to restrain the flow of textiles and clothing from the exporting country into the importing country. Quotas are agreed which establish limits on the quantity of goods to be exported, and are administered and applied by the exporting country. The MFA's stated objectives are the expansion and progressive liberalisation of trade in textiles whilst avoiding the disruption of individual markets and production in both importing and exporting countries (26). Although the MFA is mostly applied to the exports of LDCs, it seeks ostensibly to secure for LDCs an increase in their export earnings and a greater share of the world's trade in textile products. Annual increases of 6% are allowed in LDC exports of restrained goods to the markets of developed countries.

The first MFA (1974-77) was relatively liberal but covered a more extensive range of products than the LTA. Although import growth was held at 6%, employment sharply declined in the developed countries because of the 1973 recession which seriously reduced demand for textiles and led to zero growth in clothing. Consequently, MFA 2 (1978-81) was much more restrictive. The new bilateral agreements covered a larger number of products and the annual growth rates of imports were reduced to below 6%. MFA 3 returned in some ways to the original aims of MFA 1 but it was still restrictive and

severely curtailed growth in imports from LDCs.

Negotiations for MFA 4 (1986-1991) were deeply affected by the predicament of the USA, which had experienced an unprecedented surge in textile and clothing imports from both high and low cost countries. Protectionist sentiment culminated in the Jenkins-Thurmond Bill which sought to roll back imports to the levels that would have been attained had import growth been kept to the levels established under MFA 3 (27). It was estimated that it would have led to cutbacks in imports from LDCs of the order of 30%. Although the bill passed successfully through the House and Senate, it failed to command the necessary two thirds majority to avoid the presidential veto but a veto override attempt was scheduled for six days after MFA 3 was due to expire.

The major NIC exporters have generally worked with and administered quotas. Even though their exports were restricted, a certain amount of market access has been guaranteed and quotas were allocated on the basis of past performance. Other LDCs, however, have found that export growth (although from a very low level) has involved them becoming subject to quotas, even though those exports may account for a very small proportion of the total imports of a developed country. MFA 4 therefore makes a distinction between the poorer LDCs and the NICs. The least developed countries along with small suppliers and new entrants would in principle be excluded from import controls. When they were imposed, treatment would be 'significantly more favourable'. Despite these concessions, the MFA 4 is in some

respects more restrictive than MFA 3. The most significant change involved an extension of the fibres covered by the agreement.

4.2.1 The Effect of the MFA on Developing Countries

Imports into developed countries from LDCs have grown but evidence suggests growth rates have slowed significantly, especially during MFA 2. During 1963-76, under the LTA and early part of MFA 1, textile imports from LDCs to developed countries grew in real terms by an average of 7% a year and clothing imports by 21%. In the latter half of the period covered by MFA 1 and the first year of MFA 2 (1976-78) annual growth declined to 4.6% and 4.8% respectively (28). Over the period of the agreements, the LDCs (including the Eastern trading area) share of textile and clothing imports into developed countries (OECD) rose from under 30% in 1973 (last year of LTA) to nearly 40% in 1981 (last year of MFA 2). In the five years of MFA 3 progress was slower and by 1986 the share of LDCs had climbed only 3.4% to 43.4%. Most of the growth in recent years has been in clothing; LDCs share of developed countries' textile imports grew only 0.4% in the five years to 1986.

Chinese and South Korean exports have shown rapid growth. In 1973, their share of textile and clothing imports into the OECD countries were 1.7% and 1.6% but by 1986, South Korea's share had almost doubled to 6.7% while China's share had more than trebled to 5.3%. If China and Taiwan are excluded (China joined in 1986 and Taiwan never joined) the share of the remaining LDCs was less than 33% in 1986 having climbed

by only 1.1% in five years. In clothing, progress was even slower during MFA 3 with a rise of only 0.5% if the two main non-MFA countries are excluded. However, it is likely that the surge in imports into developed countries in 1987, attributable to the fall in the value of the dollar, has restored some of the loss in the LDCs share (Anson and Simpson 1988:128-9).

The evidence appears to indicate that import controls have a trade diversionary rather than an import restraining effect. Anson and Simpson (1988) analysed three years of import restraints (1973, 1981 and 1986). As regards the US there was a relative shift in the source of imports in clothing and to a lesser extent textiles, away from LDCs towards the Eastern trading area (almost entirely due to China) and to other developed countries (mainly Western Europe). In the EC, there has been a minor shift away from LDCs in favour of the Eastern trading area and other developed countries since the early 1980s. Hence, it appears that the growth in the share of LDCs in developed country imports has been slowed if not halted by the MFA. The major beneficiaries have been the southern European countries (especially Turkey), non-MFA LDCs and the Eastern trading area countries, particularly China (29).

The EC has special arrangements with the former colonies of EC member states in African, Caribbean and Pacific (ACP) countries and with its associate members in the Mediterranean rim. Prior to 1978 preferential suppliers had unrestrained access to EC markets but the need for more

formal arrangements arose as imports from the Mediterranean suppliers grew rapidly to fill the vacuum created by restraints on MFA suppliers. In fact, according to GATT estimates, the MFA regulates only about a quarter of world textile trade. The other three quarters of world trade is accounted for by export flows between industrialised countries (including about a fifth which is intra-EC trade); export flows between MFA and non-MFA signatories; trade covered by other arrangements and products not subject to MFA bilaterals.

Although the MFA was designed to be only a temporary arrangement there has been no date fixed for the MFA's eventual abolition. The IMF estimated that complete liberalisation of trade (tariffs and quotas) would lead to an increase in textile imports into the main OECD countries by 82% and clothing by 93%. UNCTAD estimated rises of 78% for textiles and 135% for clothing (cf. Anson and Simpson 1988).

The effects on LDCs of abolition is difficult to predict. Textiles and clothing play a major role in the economic development of the poorest and most indebted LDCs. The OECD secretariat in a 1985 study on the costs and benefits of protection argued that:

> 'a continued healthy expansion of manufactured exports is becoming increasingly vital to the LDCs. It constitutes an important link in the chain of maintaining their own demand for imports (notably for investment goods and other manufactures), servicing their external debt and sustaining investment' (International Textiles and Clothing Bureau 1986).

But unless indebted LDCs are allowed to run trade surpluses, they cannot maintain interest payments in the absence of additional capital flows (Cable 1985). The World Bank and the IMF are also pressing LDCs towards market oriented policies with explicit priority given to more rapid export growth but there is an obvious tension here between such practices and MFA restraints. The LDCs have consistently argued that the MFA constitutes a derogation from GATT's objectives of the liberalisation of world trade and that import controls have had a trade diversionary rather than an import restraining effect. Moreover, contrary to the aegis of GATT, the MFA sanctions discriminatory restraints on LDC imports into developed countries.

The context for future trade negotiations are not auspicious, particularly in the context of an overall slowdown in the growth of demand for textile and clothing products in the world's major markets (US and EC). One particularly important development is rising protectionist sentiment in the USA. In 1988, a new Textile and Apparel Trade Bill came before the US Senate. The Bill seeks to apply global quotas on all US imports, including those from Western Europe and Canada. The EC has threatened retaliation as have other developed and developing countries who are concerned not only about potential limitations on their exports to the USA but also that MFA exports destined for the US market may be diverted to other developed countries. The Bill therefore may not succeed given that it would initiate a series of potentially destabilising retaliatory actions by developed and developing countries.

The regulation of textile and clothing trade is a major arena in which international capitalist rivalries between regional economic blocs are expressed. The MFA, by closing off markets to a number of low cost producers, reflects the economic power of one particular bloc, the developed countries over a heterogeneous grouping of less developed countries. In this context, the MFA starkly symbolises the unequal distribution of economic and political power within the world economy and the tensions and conflicting economic interests of the developed and developing countries.

To what extent is the MFA the coherent expression of homogeneous national interests? Protectionism within the developed countries has been formerly promoted by an alliance between textile and clothing employers, trade unions and national governments, but this fragile expression of 'unity' masks a more complex set of divisions within and between the developed countries over the necessity of trade restrictions. Protectionism accentuates inter-industry divisions, cleavages between multinational and national firms and policy differences amongst national governments. There are, for example, real differences in the degree to which national governments embrace the apparently semi-permanent status of the multi-fibre agreement. Overall, the US appears to have emerged as the most consistently protectionist of developed countries in both tariff and quota policy (Shepherd 1983:36), with the UK and France also heavily committed to trade restrictions. In both countries, well organised industrial groups have campaigned for tougher action by national governments and the EC in controlling

imports. In contrast, Germany has been the most liberal importer although since 1979, the UK has adopted a much more ambivalent stance towards the MFA as it runs counter to the Conservative Government's ideological commitment to the liberalisation of international trade. Policy differences towards trade restrictions will be exacerbated by the formation of a single European market, in which the present system of MFA quotas negotiated on a country by country basis will be replaced by a Community wide system. A number of national trade associations (eg. the British Textile Confederation) have already argued that such a system would make it easier for textiles from other countries to penetrate the European market, with some markets clearly more vulnerable than others (eg. Netherlands and the UK) (FT 20.2.89).

Protectionist agreements, like the MFA, are in effect an obstacle or block to any further locational shifts in production, trade and employment to the LDCs. But this strategy runs counter to the positive assistance provided by a number of governments, especially West Germany and the USA, in facilitating the relocation of labour intensive production processes to lower waged countries through offshore processing trade provisions. A further contradiction which subverts protectionist interests articulated within a national context, is the mobility of multinational capital in the industry, and the participation by retailers in international subcontracting or purchasing agreements. Even nationally based retailers and clothing manufacturers in the developed countries have a vested

material interest in a more liberal regime concerning textile imports. Unrestricted access to global sources of fabric supply denied to clothing manufacturers by the MFA agreement would clearly enhance their competitiveness and profitability. Retailers tend to be in favour of the liberalisation of trade because they are major buyers from both foreign exporters and domestic clothing firms (Hoffman and Rush 1984). Protectionist strategies - intended to restore the profitability of domestically based manufacturing capital - may become increasingly irrelevant in the context of inter-industry divisions and the global strategies of multinational capital. In any case, the MFA represents only a partial and incomplete solution to the problem of low cost producers. Spain and Portugal now have complete access to EC markets, and there is the possibility that Turkey will become a future entrant to the EC.

One of the paradoxes of protectionism is that it has directly enhanced the internationalisation of the industry, as Third World companies have sought to evade quota agreements through investment in both developed and developing economies (Anson 1985). It has also helped to accelerate the shift of production in LDCs from low to high value added textiles and clothing products because quotas are measured in volume rather than value. Hence LDCs have sought to maximise the value added content of their exports and the unit value of quantities sold. This has seriously enhanced competitive pressures in the developed countries which have also tended to shift their production to high value added products (OECD 1983:121). Protectionism has

therefore had contradictory material effects which have intensified rather than stabilised international rivalries in the industry.

Section A: Summary

The central argument of this section is that the internationalisation of production in the industry has assumed a number of forms and is driven by a multiplicity of factors. Multinational corporations have and continue to play a pivotal role in the industry's development but their expansion cannot be exclusively related to an inexorable search for lower waged labour underpinned by the fragmentation and relocation of production. Such explanations underplay the contradictory nature of capital accumulation, and the imperfect and partial nature of competitive strategies.

A unique emphasis on the Babbage Principle and the fragmentation/relocation of production designed to reduce labour costs ignores the significance of technological developments in raising productivity and reducing unit production costs. There has been a long run trend in the textile industry towards more capital intensive methods of production. Two issues arise from these developments. First, is it the case that new technologies have initiated a relocation of production back to the developed economies? Is this synonymous with a process of 'deinternationalisation'?

At an aggregate level, the more rapid diffusion of highly productive textile machinery in the developed countries has contributed to developed economies maintaining their overall net surplus in international textile trade. But it is difficult to substantiate the claim that technological developments have initiated a 'relocation' of production

back to developed economies. It is more plausible to argue that it has helped maintain particular branches of textile production in the developed countries but this is not synonymous with a massive shift in comparative advantage against LDCs. Moreover, the trend to capital intensive production methods and the diffusion of labour displacing technology has certainly not stemmed employment loss in this sector. The clothing industry is a different matter, however, with the rate of diffusion of microelectronic technology in developed economies being very much slower, and the high capital outlays involved in such capital investment being beyond the financial scope of the majority of (small) firms in the sector. Although there have been cases where microelectronic technology has been important in maintaining a firm's or a sector's competitiveness, there has as yet been no quantifiable impact on international trade patterns with the developed economies maintaining at an aggregate level a net deficit in clothing trade.

International competition in the industry tends not to be characterised by clear cut shifts in comparative advantage or stable, dichotomous relationships between the developed and developing countries. In fact, competitive relationships in the textile and clothing industry are experiencing a dynamic process of recomposition in the face of an intensification of capitalist rivalries. This implies that the process of internationalisation is subject to a number of competing pressures and contradictions which both facilitate and impede its development.

A set of counter tendencies and structural forces act as powerful impediments to the global decentralisation of production. Textile and clothing products are the most comprehensively regulated and the longest protected of industrial goods. Protectionist agreements, like the Multi Fibre Agreement have sought to close off or restrict the access of low cost producers to the markets of developed economies. Thus, the regulation of textile and clothing trade is a major arena in which international capitalist rivalries between regional economic blocs are expressed. Furthermore, protectionist strategies - intended to restore the profitability of domestically based manufacturing capital - have contradictory material effects which have intensified rather than stabilised international rivalries in the industry. International competition in the industry, then, is not driven by monocausal imperatives but a complex matrix of conflicting and heterogeneous material interests mediated in various ways by national firms, governments, trade unions and transnational capital.

To what extent have these forces shaped the integration of developing countries into the world textile industry? It is doubtful whether the development of Third World textile and clothing industries has ever been dependent on or completely reducible to the strategies of firms in the developed economies. Evidence indicates that many developing countries have a strong indigenous textile and clothing industry although local firms may be involved with foreign enterprises - both retailers and manufacturers - through licensing and subcontracting arrangements.

More importantly, Third World firms, particularly in the Asian NICs, are proactive. They have sought to transcend and overcome constraints and obstacles operating in their competitive environment. Not only has protectionism facilitated the establishment of Third World multinational corporations and foreign direct investment to developed countries and lower cost developing countries, but it has also encouraged LDCs to move upmarket, to increase the value of their exports because bilateral quotas limit export volume. First World firms, therefore, cannot merely depend on maximising their geographical proximity to centres of demand or introducing time economies into the production and distribution of products. Far Eastern exporters are also implementing just-in-time production methods in an attempt to reduce delivery and lead times. This, in turn, will intensify the competitive pressures on firms in the developed economies who have shifted production upmarket and attempted to improve the overall coordination of production and sales through the application of information technologies.

There may be time lags involved in technological development, leading to the uneven diffusion and deployment of new technologies in LDCs, but governments and firms, particularly in the NICs, are actively involved in the restructuring of their industries. Third World governments have introduced rationalisation and modernisation programmes to upgrade the capital stock in textiles and clothing (eg. South Korea, Malaysia, Hong Kong and Taiwan) and a number of LDCs which previously based the expansion of textile and

clothing industries on export processing zones are critically re-evaluating such strategies. The NICs involved in export processing zones are currently just as much likely to be Third World firms as First World (cf. Elson 1988b).

Hence the trend to the production of high value added, high quality products, the adoption of non-price forms of competition and the utilisation of integrated, information technologies are not competitive panaceas for firms in the developed economies. Moreover, they will not facilitate some sort of stable, dichotomous polarity in the structure of international competition, with Third World firms being relegated to the production of mass produced, low cost textile and clothing products.

Internationalisation in the textile and clothing industry has, in short, assumed different forms and has been driven by a multiplicity of factors, but, more importantly, the process itself has developed unevenly. Its pace has been both facilitated and impeded by the cumulative actions of supranational and national economic and political agencies. It seems unlikely that information technologies and their application to textile and clothing production in the developed economies or strategies of product differentiation and non-price competition will stem or reverse the process of internationalisation. The evidence points to an increased interlinking and symmetry between companies in the developed economies and the NICs, motivated by the need to transcend obstacles to their expansion by gaining access to markets denied to them by protectionist agreements or tariff

barriers. The relationship between Third World textile and clothing producers and the developed countries can therefore no longer be conceptualised in terms of their structured 'dependency' and subordination to First World multinationals. Developed and developing countries in the world textile industry have become interdependent, with the form of integration of individual economies changing over time. This interdependence is not necessarily harmonious but is punctuated by capitalist rivalries, and conflict between regional economic blocs.

SECTION B: STRUCTURAL CHANGE AND INDUSTRIAL DECLINE; BRITISH TEXTILES AND CLOTHING

The structural transformation of textiles and clothing on an international basis has clearly affected the condition of all national textile and clothing industries. But although international economic forces have had a profound impact on the development of British textiles and clothing, these factors in themselves do not account for the present predicament of these industries or their specific location within the world economy. The British textile and clothing industry has also been firmly embedded within a national terrain of economic and social institutions and structures which have interacted to shape the character of the industry and the responses of the leading producers in particular ways. It is therefore the specific nature of the industry's development within the British context, and its relative performance in relation to other national textile and clothing industries that constitutes the theme of the following discussion. Some commentators have argued that the performance of the textile industry in the 1980s demonstrates that the process of long term decline has been arrested. The following discussion therefore focusses on the recent development of textiles and clothing in the UK. This involves an analysis of a number of competing perspectives on the decline and current performance of the sector.

Chapter Five: British Textiles and Clothing; Decline or Regeneration?

In this chapter the performance of British textiles and clothing since the 1970s is outlined. The recessionary conditions of the mid 1970s and early 1980s have had a profound impact on output and employment levels in both industries. This has served to accelerate the long term decline of the textile industry in particular. Nevertheless, some commentators have drawn upon the post-recession performance of the industry as an alleged example of a much broader trend, namely, the transformation and rejuvenation of British manufacturing. The evidence on production, employment levels and trade flows indicates, however, that the textiles and clothing industries have experienced a modest recovery from the depths of the early 1980s recession rather than a regeneration.

5.1 1973-82; the impact of recession

The British textile industry has suffered a process of long term decline in both output and employment. At the beginning of the twentieth century it employed 1,200,000 people out of a total of 5,000,000 in manufacturing. Now, employment has fallen to less than 250,000. The decline in employment occurred long before overall manufacturing employment started to fall in the mid-1960s. Employment decline has been steady since the 1950s but it accelerated in the 1970s, with a severe contraction over the period 1979-1982.

In terms of output growth, the industry's performance, with the exception of synthetic fibres, has been well below the manufacturing average. Since 1973, output (in real prices)

has been falling with a severe contraction over the 1978-82 period (although there was some improvement over the 1983-87 period). In 1972, all textiles, including synthetic fibre production, accounted for 5.9% of the net output of British manufacturing industry and 7.6% of the manufacturing labour force. This reflected a large decline in the industry's relative importance since 1951, when textiles accounted for 12.2% of manufacturing net output and 12.9% of manufacturing labour. Moreover, as Miles (1976:185) points out, the decline in the importance of the cotton and man-made fibre processing sector has been even more dramatic. In 1951, it was by far the most important sector, accounting for 38.5% of net output and 40.5% of employment, but by 1972 it accounted for only 17.4% of total 'textile' net output and 19.8% of employment. In short, the long term historical trend in the industry has been one of output decline and even more rapid contraction of employment. In 1987, the industry (excluding man made fibres) accounted for only 3% of the value added in the entire manufacturing sector and 5% of the employed labour force (Cambridge Econometrics 1987).

UK textile production was particularly depressed over 1973-82. There was a dramatic switch from an average annual output growth rate of 0.74% during 1954-73 to a decline in the annual average rate of more than 6% over the 1973-82 period (Soete 1984:144). Table 11 demonstrates the severe impact of the recession in the late 1970s on both the textiles and clothing industry. In 1982, textile production was 40% below the 1970 level and 50% below the peak year of 1973. The fall between 1978 and 1983 was particularly steep,

being approximately a third. Clothing output was less severely affected, but between 1978 and 1983 the fall was between 15% and 20%. Manufacturing industry output as a whole fell by 13% between 1978 and 1983, less steeply than in clothing and much less steeply than in textiles.

Despite the heterogeneous nature of the industry, output fell in most of the industry's sub-sectors (cf. table 15). Synthetic fibre production has declined precipitately since 1973, with production more than halving over 1979-82. Cotton and allied mill production of yarn and cloth has also been severely depressed, with output levels in 1982 well under half the 1973 level. Even the woollen and worsted sector, which is usually regarded as a relatively strong part of the industry, experienced accelerated output decline over the 1979-83 period.

Table 11: Changes in UK Textiles and Clothing 1978-82

Textiles	% Change 1978-82
Fibre consumption (mn kg)	- 32.7
Production Index (1975=100)	- 33.7
Employment ('000s, excl. N. Ireland)	- 37.6
Clothing	
Consumers' expenditure (constant price index, 1975 = 100)	+ 26.1
Production index (1975 = 100)	- 17.4
Employment ('000s, excl. N. Ireland)	- 30.0

Source: Cable and Baker 1983: 116

In contrast to textiles, output in the clothing industry increased in the post-war years until 1979. Even during the recession of 1973-79, average output growth of 1.2% a year was well above the manufacturing average. It was only during

the early 1980s that output declined dramatically, at more than 9% a year. Nevertheless, the clothing industry has suffered widespread job loss over the post-war period. Employment in clothing in 1983 was only 58% of the 1972 level (Silberston 1984:18).

The dramatic fall in levels of output in both industries over the 1978-82 period has been mirrored by steep declines in textile and clothing employment. Employment in synthetic fibres and cotton spinning more than halved during 1978-83. In mid 1978, 74,000 people were employed in the cotton sector in Britain as against 155,000 in 1971. By mid 1982, this number had fallen to 43,000. In clothing, employment dropped by 10.4% a year between 1980 and 1982 compared with steady employment decline of 1.9% a year over the 1954-79 period (Soete 1984). In aggregate, textile employment fell by 165,000 or 37.6% over the years 1978-82 and clothing employment by 30%.

Falls in employment have been proportionately greater than output, with the result that productivity (output per head) has risen. For textiles, as a whole, including knitting, productivity rose particularly steeply during the years when employment fell rapidly, by 5% per annum over 1974-76 and 1980-82. The trend rate of productivity growth over 1973-83 was 2% per year (Silberston 1984:18).

The rate of productivity growth in clothing between 1975 and 1983 was about 4% per annum. During the early 1980s, productivity growth slowed down to 1.1% per year, which

suggests either that the clothing industry had not yet fully re-organised itself or it was 'hoarding' labour to take full advantage of a possible upturn (Rush and Soete 1984).

Labour productivity growth in textiles has come about partly because of increasing capital intensity (Soete 1984). In the case of the UK, capital stock per employee in textiles was 57% higher in 1977 than in 1970 compared to 41% for manufacturing industry as a whole. There was, however, a slowdown in the rate of investment growth during the 1970s (excluding synthetic fibres) and a dramatic fall after the peak level in 1974. The clothing industry is characterised by very low capital intensity, growing at a rate well below the manufacturing average. Investment grew steadily until 1974 after which time it fell dramatically. In 1982 it hit an all time low. The slowdown in investment after the peak of 1974, however, did not lead to a significant decline in productivity growth in clothing, which almost certainly reflects shedding of labour, work intensification and scrapping of older plant (cf. Rush and Soete 1984) (30).

Table 12 charts the massive fall in fixed capital expenditure in textiles, leather and clothing over the period 1974-82. Capital investment in 1978 was just over a half of the level (in real terms) of 1974 and by 1981, had halved again. Moreover, capital expenditure in textiles, clothing and leather fell at a much faster rate than in manufacturing.

Table 12: Fixed Capital Expenditure, Textiles, Clothing and Leather and Manufacturing 1974-82
(All prices revalued at 1975 prices; 1974=100)

	Fixed Capital Exp. Textiles, etc.	Fixed Capital Exp. Manufacturing
1974	100	100
1975	70	93
1976	51	88
1977	48	92
1978	55	99
1979	59	105
1980	43	95
1981	28	78
1982	29	71

Source: CSO Monthly Digest of Statistics, February 1981 and 1982, June 1983.

This picture of decline is mirrored by a steadily deteriorating trade balance in both textiles and clothing over this period. There has been a trade deficit in clothing since the early 1970s which has grown steadily. Trade in 1977 was almost completely balanced with a surplus on textiles compensating for a deficit in clothing (as in 1973). But since 1977 the situation has deteriorated. The growing clothing deficit has not been balanced by a surplus in textiles because textiles itself has slumped into a large deficit (see table 13).

The deteriorating trade balance is not wholly attributable to an influx of imports from developing countries. Although the volume of UK textile and clothing imports increased by 35% over the 1976-79 period, imports from LDCs grew by only 19%. Imports from developed countries rose by 58%. Among the LDCs, those outside the MFA increased their exports to the UK most rapidly. Table 14 shows how in both periods of the MFA but especially the second, imports from LDCs rose less

rapidly than imports from OECD countries. The US increased its exports to the UK by 20% over 1979 and by 111% over 1978 to 81,000 tons, mainly of fibres, yarns and carpets. The major part of the increase in imports from the EC was in fibres and carpets (31).

Table 13: The Balance of UK Trade In Textiles and Clothing 1971-88

£ mn.	Textiles (1)	Clothing	Combined Balance
1971	143.0	- 48.7	94.3
1972	122.8	- 74.5	48.3
1973	149.6	- 153.9	- 4.3
1974	140.5	- 172.4	- 32.0
1975	96.1	- 239.7	- 143.6
1976	135.8	- 271.7	- 135.9
1977	164.4	- 168.4	- 4.0
1978	- 124.6	- 250.7	- 375.4
1979	- 248.2	- 443.4	- 691.6
1980	- 59.6	- 423.6	- 483.2
1981	- 461.8	- 592.3	-1060.4
1982	- 644.7	- 660.4	-1305.1
1983	- 921.4	- 736.1	-1657.4
1984	-1100.7	-1016.8	-2117.4
1985	-1237.7	- 922.8	-2160.5
1986	-1404.5	-1158.4	-2562.9
1987	-1626.9	-1349.5	-2976.5
1988	-1629.0	-1683.0	-3343.0

1 = excluding synthetic fibres

Source: Textile Statistics Bureau, Quarterly Statistics 1971-87, British Textile Confederation, March 1989.

Table 14: Growth Rate of UK Imports (a) by value (current prices) annual percentage average

	MFA 1 1974-77	MFA 2 1978-82
EC (b)	29	15
EC applic. (c)	8	17
Efta (d)	9	7
Other OECD (e)	21	15
All OECD (e)	22	14
Hong Kong	14	9
Other LDCs	30	11
All LDCs	21	10
CPE (f)	32	8
Total	22	13

a = SITC division 65/84 b = including Greece
c = Spain and Portugal d = excluding Portugal
e = including Israel f = centrally planned economies

Source: Cable and Baker 1983:121

TABLE 15: UK INDEX OF TEXTILE PRODUCTION 1973-87

Index of Production 1980 = 100

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Manufacturing Industries (revised definition)	114.1	112.7	104.9	106.9	108.9	109.6	109.4	100.0	94.0	94.2	96.9	100.8	103.8	104.2	107.3
Synthetic Fibre Production	175.6	150.9	136.0	133.4	133.4	143.1	137.0	100.0	84.9	67.9	78.1	78.8	74.2	67.9	62.8
Textiles :-	149.2	136.6	125.7	129.6	130.7	126.2	121.0	100.0	91.8	89.5	91.6	93.7	98.3	98.9	102.7
Wool and Worsted	171.3	139.6	123.2	123.9	128.4	124.3	115.6	100.0	90.4	86.0	87.1	89.4	93.1	99.0	101.5
Spinning/Doubling on Cotton System	174.0	159.3	141.7	152.1	147.3	136.1	133.6	100.0	80.2	78.4	79.0	77.3	79.5	78.7	81.3
Weaving of Cotton, Silk, Synthetic Fibres	174.2	154.8	147.5	146.2	143.8	135.7	135.1	100.0	80.9	77.4	73.9	77.5	81.7	80.4	75.5
Hosiery and Knitting	111.8	109.6	106.5	112.5	112.9	110.6	108.3	100.0	96.4	94.6	95.2	96.9	99.3	99.0	102.4
Textile Finishing	131.6	122.1	125.2	131.2	130.6	126.7	124.5	100.0	87.3	86.8	86.6	86.7	97.3	101.2	107.1
Carpets	163.6	151.1	144.3	143.6	134.0	133.0	127.5	100.0	93.9	90.1	100.0	101.0	109.2	110.4	115.7
Clothing, hats, gloves	102.7	100.7	101.7	98.0	104.6	108.3	110.7	100.0	92.4	93.8	96.9	103.7	110.5	112.1	110.6
Household Textiles/ Made Up Textiles	96.7	102.4	107.1	103.7	101.6	102.4	107.1	100.0	100.0	101.3	110.1	105.6	105.8	110.1	120.2

Source: Textile Statistics Bureau, Quarterly Statistics 1973-87.

5.2. The 1980s: recovery or resurgence?

> 'Whenever Government ministers have cast about for examples of resurgence within manufacturing industry, textiles has emerged as a popular choice. The textile industry, or so these ministers are fond of saying, has hauled itself out of the doldrums of the early 1980s. Moreover, they say, the combination of a new managerial spirit and sustained investment in new technology has transformed it from a relic of the past into an industry of the future.' (FT 4.1.88 'Days of Decline are Over')

The textile industry has become a popular example of the much vaunted 'resurgence' of British manufacturing industry. But a more cautious consideration of the performance of the textiles sector over the 1980s does not support the notion of a dramatic regeneration of the industry (see table 15). Moreover, any analysis of the industry's post-recession performance needs to be contextualised in terms of the long run depression of production since 1975 and the collapse of output and employment over the 1978-82 period.

Since the output of the textile industry plummeted to its lowest level in 1982, it has risen every year to 1987 (ie. in total by 13%). But even in 1987, output was still 18% below its 1979 pre-recession level. Synthetic fibre production has shown no signs of recovery and in 1987 was less than half the 1979 level. The only textile sub-sector which demonstrates a degree of buoyancy is household textiles. Production in 1987 was 13% above the 1979 level. Clothing has also shown signs of modest recovery. Although output fell to its lowest level in 1981, production has since risen every year to 1986 (by nearly 20% but fell by roughly 2% over 1986-87) and had reached its pre-recession level. One forecast suggests that output in textiles will only reach the 1979 level by the year 1999 (Cambridge

Econometrics April 1987).

Table 16: Index of production for textile sub-sectors 1979-87

(1980 = 100)	1979	1980	1987	Change
Manufacturing	109.4	100	107.3	- 2.1
Synthetic Fibres	137.0	100	62.8	-74.2
Textiles	121.0	100	102.7	-18.3
Wool and Worsted	115.6	100	101.5	-14.1
Spinning on Cotton	133.6	100	81.3	-52.3
Weaving	135.1	100	75.5	-59.6
Hosiery & Knitting	108.3	100	102.4	-5.9
Textile Finishing	124.5	100	107.1	-17.4
Carpets	127.5	100	115.7	-11.8
Clothing	110.7	100	110.6	-0.1
Household Textiles	107.1	100	120.2	+13.1

Source: Textile Statistics Bureau, Quarterly Statistics 1979-87

Table 17: Employment 1978-87 (1981 = 100)

Year	Textiles	Clothing
1978	144.3	135.0
1980	121.5	...
1981	100.0	100.0
1982	92.7	101.2
1983	86.9	97.8
1984	85.1	100.3
1985	85.4	101.7
1986	85.9	101.5
1987	82.1	99.2

Source: Textile Statistics Bureau, Quarterly Statistics 1978-87.

Table 18: Employment 1972-1987 ('000s)

	1972	1978	1980	1983	1985	1987
Synthetic Fibres	44.5	37.7	26.8	16.3	15.1	7.4
Textiles	510.4	411.3	344.9	256.2	233.2	222.4
Clothing	361.1	307.0	272.9	214.2	212.2	209.7
Household Textiles	41.3	37.6	38.5	27.5	26.8	29.1

Source: Textile Statistics Bureau, Quarterly Statistics 1972-87

Table 19: Output, employment, productivity trends 1979-87 for the textile, clothing and leather industry (1980 = 100)

Output	Manufacturing	Textiles, Clothing, Leather
1979	109.5	117.9
1980	100.0	100.0
1981	94.0	92.7
1982	94.2	91.3
1983	96.9	94.7
1984	100.9	98.7
1985	103.8	101.9
1986	104.0	103.6
1987	109.6	105.1
Employment		
1979	105.3	111.8
1980	100.0	100.0
1981	91.0	87.2
1982	85.5	81.5
1983	81.0	78.1
1984	79.8	78.6
1985	79.5	79.5
1986	77.9	79.2
1987	76.8	77.6
Output per person employed		
1979	104.1	105.5
1980	100.0	100.0
1981	103.5	106.5
1982	110.4	112.1
1983	119.8	121.3
1984	126.5	124.9
1985	130.6	128.3
1986	133.6	131.1
1987	142.8	135.6

Source: Department of Employment Gazette September 1988

The argument that the rejuvenation of the industry is illustrated by rising productivity levels (ie. output per head) can be misleading. Productivity changes are the product of differential movements in output and employment. Over the period 1979-86, the total output of textiles fell by 20% whilst employment fell by 46%. In clothing, total output fell by 2% whilst employment fell by 25%. Employment in textiles stabilised in 1984-86 but fell again in 1987

whereas employment in clothing stabilised over the period 1984-87 (see table 17). Table 19 illustrates the disparity between falls in output and employment in textiles, clothing and leather over the period 1979-87. As the fall in employment was disproportionately greater than the fall in output the impact statistically was an increase in output per head.

The rise in productivity levels may of course be partly related to changes in production technologies and an increase in investment expenditure. Nevertheless, although fixed capital expenditure in textiles, clothing and leather has increased since the low point of 1981, it only just exceeded its pre-recession level in 1987.

Table 20: Fixed capital expenditure 1978-87 in textiles, leather and clothing. (at 1980 prices £ mn.)

1978	343
1979	344
1980	235
1981	166
1982	205
1983	208
1984	256
1985	254
1986	326
1987	364

Source: CSO Monthly Digest of Statistics, April 1988.

The available evidence suggests that the productivity performance of UK textiles is poor compared with its international competitors. Estimates for 1980 suggest that productivity in textiles in the UK was only 56% of the US level and 74% of the level in France and Japan (Cable and Baker 1983:56). Eurostat data for 1982 indicates that UK

textiles and clothing had lower labour costs and productivity than its main European competitors (ie. France, West Germany and Italy) (table 21). Moreover, recent evidence concerning growth rates in value added and value added per employee for the period 1961-85 demonstrates that in textiles the UK has not performed as well as its major European competitors (table 22).

Table 21: Gross Value Added Per Person Employed (Factor Cost) and Labour Costs Per Person Employed 1982, for the UK, West Germany, Italy and France (1,000 Ecu)

A. Gross Value Added Per Person Employed

	Textiles	Clothing
EC	14,4	11,8
West Germany	17,7	13,3
France	17,4	13,9
Italy	16,6	13,2
UK	13,1	10,3

B. Labour Costs Per Person Employed

	Textiles	Clothing
EC	11,3	9,4
West Germany	14,7	11,4
France	13,5	11,3
Italy	11,9	10,2
UK	9,8	7,8

Source: Eurostat Industry Statistical Yearbook, 1986

Table 22: Growth rates (value added and value added per employee), in textiles for the UK, West Germany, France and Italy. 1961-85 (%).

1961-85	Value Added	Value Added Per Employee
West Germany	0	3.68
France	1.20	4.03
Italy	3.84	4.25
UK	- 0.05	3.60

Source: Dunne and Hughes (1989)

Although the potential for rapid productivity growth is quite significant in many textile sectors, the rate at which new technologies are adopted in the UK appears to be relatively slow. Anson and Simpson (1988:183/252) have compared machinery capacities and re-equipment ratios in a number of European countries. On a straight count of spindles and rotors in spinning and looms in weaving, Italy had by far the biggest capacity followed by West Germany, France and the UK. When shipments are divided by capacity to give an indicator of re-equipment rates, the UK compares very poorly with its main competitors in both spinning and weaving (table 23). UK spinning and weaving capacity and receipts of machinery now compare more closely with the smaller Belgian industry than with the other three EC textile majors.

Table 23: Spinning and weaving and re-equipment ratios, selected EC countries (1)

	France	W.Germany	Italy	UK
Spinning				
Shipments as % of capacity				
Short staple spindles	15.3	19.6	42.1	8.6
Long staple spindles	6.3	26.1	18.0	4.0
Open end rotors	80.5	107.0	152.1	44.4
Weaving				
Shipments as % of capacity				
Cotton system looms				
Shuttle	6.9	7.6	7.0	8.4
Shuttleless	114.9	132.0	229.9	92.0
Total	69.8	70.5	113.4	37.8

(1) Data on shipments relate to 1977-86 and capacity to 1985.

Source: Anson and Simpson 1988:183

A report by the International Textile Manufacturers Federation provides evidence that the UK had the weakest record of the main European industrial nations on investment in new textile machinery. UK textile companies invested much less in spinning and weaving equipment than many competitors, particularly Italy and West Germany. Around 90% of UK ring spinning machines in 1985 were 10 years old or more compared to 50% in Italy. Only 21% of yarn produced in the UK in 1985 was manufactured on machinery not more than 10 years old, compared to 71% in Italy. The age profile of weaving machinery was similar. West Germany led the field with 46% of its looms of the modern, shuttleless type not older than 10 years. Italy came next with 44%, followed by Belgium, France, US, and Spain with the UK at 25% (FT 24.11.87).

Although by domestic standards, the British textile industry, particularly the large multinationals, may be investing heavily in new technology, existing data indicates that by international standards much of its equipment is outdated. In short, British textiles has emerged as a low wage, low productivity industry.

This picture of relative decline is further illustrated by comparing the fate of the British textile industry with other European nations. In the 1970s, the UK was second only to West Germany in terms of output of synthetic fibres. By the early 1980s, Italy had overtaken the UK as the former's capacity had expanded while the latter's production had declined. Spain has also been expanding capacity and its

production is now little short of UK levels. Formerly the world's biggest cotton spinner and weaver, the UK now ranks only fifth in the EC behind West Germany, Italy, France and Spain in the production of cotton type yarns and fabrics. In contrast Italy is continuing to expand its capacity and West Germany has maintained its position. In knitting, the turnover of UK firms is exceeded by Italy, West Germany and France. Out of all the textile sub-sectors, the UK appears to be relatively strong in only the wool industry where it is a net exporter. In wool spinning, the UK has the second largest capacity amongst EC countries (Anson and Simpson 1988).

The trade position of the UK textile industry has also deteriorated. Although exports have risen, by over 50% in value terms since 1980, with clothing showing the biggest growth - 77% against only 37% in textiles - imports have grown much faster and from a larger base. Imports of textiles rose by 126% in 1980-87 as did clothing. As a result the trade deficit in textiles has worsened dramatically from £198 mn. in 1980 to £1.6 bn. in 1987. The deterioration in the clothing trade deficit has been less serious - from £424 mn. in 1980 to £1.3 bn. in 1987. The import penetration index, (imports as a ratio of domestic demand) has increased over the 1980s for both textiles, and footwear and clothing. This has not been counterbalanced by proportionate increases in the export/sales ratios for either industry.

Table 24: Import Penetration index and export/sales ratios for Textiles and Footwear/Clothing (SIC 1980)

	Twelve months ending (Dec.)						
	1981	1982	1983	1984	1985	1986	1987(1)
A. Imports/Demand (%)							
Textiles	39	39	41	44	44	45	47
Footwear and Clothing	33	33	33	34	35	36	39
B. Exports/Sales (%)							
Textiles	30	29	28	30	31	30	32
Footwear and Clothing	20	18	18	18	19	20	21

1. Figures for 1987 are provisional.

Source: CSO Monthly Digest of Statistics, February 1989

Import penetration in 1987 was particularly high in upstream textile sectors, such as man made staple fibres and filament (78.1% and 91.3%), cotton yarn 56.2%, cotton cloth 84%, and man made fibre cloth 78%. In knitting, import penetration was lower (34.4%) and lower still in household textiles (19.5%). Disaggregated figures for clothing indicate that import penetration by value in 1987 was 32.5% compared to 30.9% in 1985. In 1987, nearly two thirds (64%) of textile imports originated from EC countries compared to 40.2% of clothing imports. Hong Kong was the largest source of UK clothing imports in 1987 with a 20% share (British Business 3.3.89).

Table 25 demonstrates the UK's international competitive weakness in textiles in 1986. It had the second largest deficit amongst six major competitors in the industrialised countries. The clothing deficit was however overshadowed by the West German, American and Japanese deficits.

Table 25: Balance of trade of the UK's main competitors (1986)

($bn.)	Textiles	Clothing	Combined Balance
Italy	2.59	6.41	9.00
West Germany	1.47	-6.23	-4.76
France	-1.05	-1.60	-2.65
UK	-2.16	-1.69	-3.85
Japan	1.28	-2.12	1.16
USA	-3.27	-17.82	-21.09

Source: Amson and Simpson 1988:88

The UK clothing industry has been preserved partly by the local sourcing policies of major retailers, particularly Marks and Spencer. Garment manufacturers have maintained their competitiveness by buying low cost imported raw materials (yarns and fabrics) mainly from Asia at the expense of UK textile producers. Higher value, dyed or finished fabrics tend to be sourced from Continental Europe. This has been the reverse of trends in West Germany and France where many clothing firms relocated large parts of their manufacture to low cost countries in the form of offshore processing arrangements. This has secured a market for the products of the parent country's more capital intensive textile industry (especially fabric), which then reappear as clothing imports.

The proportionately greater recovery in the clothing and household textiles sector is also partly attributable to growth in consumer spending on these items (table 26). In contrast to the overall EC picture, the UK experienced a 15% rise in real per caput consumption of clothing over the period 1980-84 which was more rapid than growth in overall consumer spending. In contrast, in real terms, West German clothing consumption has been falling since 1980 (largest EC

market in absolute terms) (by 4.7%) as has the EC (10) as a whole (by 3.8%) (Anson and Simpson 1988:187). Consumer spending on clothing has been sufficiently buoyant in the UK to both absorb the supply of products from the domestic industry and to accommodate an increase in imports from dollar based countries in North America and LDCs.

Table 26: Consumer expenditure for clothing 1978-87
(at constant prices)

	Clothing	Household Textiles	All items
1978	91.7	109.3	96.1
1980	100.0	100.0	100.0
1981	100.0	100.2	99.7
1982	102.7	100.6	101.0
1983	110.4	103.7	105.1
1984	117.1	102.6	107.4
1985	125.9	103.5	111.5
1986	136.2	105.8	118.2
1987	142.6	112.7	122.9

Source: Textile Statistics Bureau, quarterly statistics 1980-88; British Business, February 1988

In the short term, output of textiles and clothing is very sensitive to exchange rate fluctuations which seriously affects the price competitiveness of these products. In textiles, the rapid depreciation of sterling from its peak level in 1980, led to a rapid increase in exports and relative recovery in output over the 1981-85 period. Exports and output grew by an annual average of 6.1% and 1.6% respectively over the 1981-85 period bringing about a short term reversal in the historical trends of the industry (Cambridge Econometrics 1987).

The adverse movements of the exchange rate from early 1985 ended this period of relative recovery and 1986 witnessed a

rapid increase in import penetration. The rapid depreciation of the US dollar from early 1985 gave dollar based countries in North America and the Far East a substantial cost advantage over British producers. Despite rapid growth of consumer demand in the home market in 1986 (5.4%) output remained stagnant and exports performed poorly. Sales to the US, a leading export market for British textiles fell by 11% in 1986 whereas imports from the US and the Far Eastern NICs rose sharply. In 1987, imports of textiles grew by 11% (12% in volume) while clothing imports rose by 16% (17% in volume). Moreover, imports from low cost countries rose by a third, despite MFA quotas. Imports from the US rose by 29% while those from the EC were static (Anson and Simpson 1988:256).

Table 27 demonstrates that over the period 1985-88, low cost imports (by volume) rose by 70% compared to 9% for developed countries as a whole. Imports from the USA have doubled whilst those from the EC rose by only a small percentage (7%). Low cost imports as a proportion of total imports have therefore risen from 26% in 1985 to 35% in 1988. There was, however, a slow down in the growth of low cost imports during 1988 with a registered rise of only 7%. Overall, in 1988 textile and clothing imports increased by 7% (in value) to £6.9 bn, while exports increased by just 2% (in value) to £3.6 bn. The balance of trade deficit has therefore risen from £2.9 bn. in 1987 to £3.3 bn. in 1988. Currently, textiles and clothing represent 23 per cent of the overall UK current-account trade deficit (BTC 1989).

Table 27: UK imports of textile and clothing products by source, 1985-88 (excluding non-MFA products)
('000 tons)

	1985	1986	1987	1988	% change 1988/85	1988/86	1988/87
Developed countries	679	678	685	742	9	9	8
EC12	577	570	571	630	7	9	9
Other DCs	101	108	114	122	20	13	7
USA	32	34	33	44	100	72	34
Low Cost	238	284	279	404	70	42	7
Non-Preferential	205	248	231	347	69	40	5
Mediterranean	25	28	37	45	80	62	12
ACP (a)	8	8	10	11	37	39	9
Total	916	962	1044	1145	25	19	8
DCs %	74	70	64	65			
Low Cost %	26	30	36	35			

a: African, Caribbean and Pacific preferential countries

Source: British Textile Confederation 1988b/1989

The rise in the value of sterling in 1988 combined with the weakness of the US dollar and related south-east Asian currencies has clearly affected the price competitiveness of British textiles and clothing. Job losses have been recorded in acrylic and cotton yarn spinning, knitwear and childrenswear, all of which are import sensitive products. The level of employment in textiles and clothing fell by 15,000 to 477,000 during 1988 (BTC 1989). One estimate of potential job losses in 1989 is 25,000 out of a combined textile and clothing workforce (Guardian 30.12.88).

Table 28 demonstrates that in 1988 production levels contracted in all sectors of textiles and clothing, with the exception of carpets. As employment in textiles, clothing and leather rose whilst production levels contracted, the result was a fall in output per person employed (table 29). The deterioration in the trading environment has also

affected fixed capital expenditure in the industry. Over 1987-88 fixed capital expenditure fell by 17% in real terms from a total of £516 mn. in 1987 to £430 mn. (revalued at 1985 prices).

Table 28: Index of production for textile sub-sectors 1987-88

(1985 = 100)	1985	1987	1988	Change 88/87
Synthetic Fibres	100	110	108.0	- 2.0
Textiles	100	104.5	102.5	- 2.0
Wool and Worsted	100	109.3	105.8	- 3.5
Spinning on Cotton	100	100.8	93.2	- 7.6
Weaving	100	102.2	98.4	- 3.8
Hosiery & Knitting	100	101.0	95.6	- 5.4
Textile Finishing	100	113.5	108.3	- 5.2
Carpets	100	107.3	114.3	+ 7.0
Clothing	100	99.8	99.5	- 0.3

Source: CSO Monthly Digest of Statistics, March 1989

Table 29: Indices of output, employment and output per person employed for textiles, clothing and leather, 1987 and 1988.
(1985 = 100)

Output	Manufacturing	Textiles etc.
1987	106.6	103.3
1988	114.0	102.4
Employment		
1987	97.2	98.2
1988	98.7	98.5
Output per Person		
1987	109.7	105.2
1988	115.5	104.0

Source: Department of Employment Gazette, May 1989

Any talk of a regeneration of the industry appears in the face of this evidence to be premature and misplaced. The most recent data on production, employment levels and trade

flows indicate that the modest recovery of British textiles and clothing has run aground in the late 1980s. The poor international competitiveness of these industries and the long term decline of textiles in particular has not been substantially reversed in the 1980s. Nevertheless, the contraction and decline of industries is not an inevitable process. The next chapter discusses a number of competing explanations of the industry's present predicament and focuses on the role of the British state.

Chapter Six: The Decline of British textiles; competing explanations.

The British textile industry has suffered a long term decline in both output and employment levels. A number of competing explanations have been put forward to account for the industry's deteriorating competitiveness, which emphasise particular features of the sector's development. One influential analysis (cf. Lazonick 1985) focuses on a set of institutional relationships which originated in the late nineteenth century and allegedly conditioned the development of the industry up until the 1960s. An alternative perspective (cf. Shepherd 1983, Blackburn 1981) highlights the 'flawed' strategies of the large vertically integrated corporations which currently dominate the industry.

This chapter argues that the industry's decline reflects the combined weaknesses of a set of key economic and social agencies: employers, trade unions and the state. The actions and interventions of these agencies, separately and collectively, have failed to generate the pressure to bring about the industry's transformation into a high wage, high productivity sector.

6.1 The nineteenth century revisited?

British textiles has experienced a long term process of decline but the cotton industry has undergone the most protracted decline of all the textile sub-sectors. According to Lazonick (1985), the structure of industrial relations and industrial organisation inherited from the era of Britain's international economic dominance impeded the

structural transformation of the industry and perpetuated its technological backwardness. The horizontally specialised and vertically disintegrated structure of the cotton industry impeded the pursuit of a cost cutting strategy based on the adoption of modern, high-throughput technologies (eg. the ring frame and the automatic loom). Spinning and weaving firms tended to produce yarn and cloth almost exclusively to order. To reap the benefits of long runs, each firm sought to attract orders for, and to specialise in, narrow ranges of yarn counts or types of cloth. This type of horizontal specialisation was accompanied by a high degree of vertical disintegration. In 1884, 60% of spindles in Lancashire were in firms that only spun and 43% of looms in firms that only wove. By 1911 the figures were 77% and 65% (Lazonick 1985:23).

The industrial relations structure also allegedly impeded the technological transformation of the industry. The persistence of an internal subcontract system enabled employers to intensify labour on existing technology rather than invest in new technologies. This mode of labour management, which lasted until the demise of mule spinning in the 1960s, involved chief spinning operatives or minders directly employing and paying their own assistants or piecers. Wage lists, which emerged during the late nineteenth century in various spinning districts of Lancashire, institutionalised the minder-piecer system. These gave minders standard weekly earnings on mules of different lengths, out of which the big and little piecers were paid specified amounts. The wages of piecers did not

vary with actual production, but were fixed by the list whereas the minders were paid by the piece. If the minder produced more than normal production he reaped all the benefits to the exclusion of the piecers who had to work longer and harder for the same pay. In general minders did not oppose the intensification of labour on existing technology because wage lists protected them against arbitrary reductions in piece rates thus ensuring them a share in productivity gains. Minders could transfer much of the extra work onto piecers, who received no additional remuneration. Hence, minders' 'were willing to trade off more work (for the minder-piecer unit as a whole) for more earnings (for themselves)' (Lazonick 1979:253).

The minder-piecer system held out against alternative divisions of labour in the Lancashire spinning industry, primarily because, employers, fragmented and divided by competition and confronted by a strong craft union still found the internal subcontract system an effective mode of labour management. Since ring spindles were operated by poorly paid females, the prospect of the substitution of male minders by cheaper female labour also encouraged minders to cooperate with management in raising productivity on mules. Short term gains in productivity were therefore achieved at the cost of the industry's long term dynamic efficiency. Moreover, Lancashire spinners tended to shift their mule spinning production to finer yarn counts and away from coarse counts which were most threatened by foreign competitors using ring spinning. Consequently, by 1907, ring spindles accounted for about 80% of the cotton spinning

spindles in America but less than 15% in England.

The decline of the industry stemmed from a particular configuration of institutional relationships which evolved in the late nineteenth century. Institutional rigidity or ossification allegedly prevented the British cotton industry from adapting its organisational structures to the new imperatives of international competition.

This account of industrial decline has major implications. By focusing on nineteenth century institutional relationships the analysis tends towards a unilinear and deterministic view of historical development. It downplays the potential for the change and transformation of British industry during the twentieth century. This is reflected in the neglect of the state. One of the most influential agencies that could have spearheaded or hindered the reorganisation of the British cotton textile industry is, of course, the state and yet, there is little consideration by Lazonick (1985) of the significance of state policy towards the industry or the changing character of government intervention. Moreover, the fact that the British industry has become increasingly internationalised over the post war period is ignored.

Lazonick (1985) emphasises a set of 'internal' constraints which evolved within a purely national context. But the cotton textile industry was not held in an ossified condition throughout the twentieth century because of institutional rigidities that were cast in the nineteenth

century. Both the interwar and post war period provided 'historic' opportunities for the cumulative transformation of the industry and were marked by phases of intense structural change.

6.2 Large Firms: ossified dinosaurs?

Lazonick's account of the decline of the cotton sector emphasises the relatively enduring problems posed by the vertical disintegration and horizontal specialisation of the industry. The implication is that a concentrated and vertically integrated industrial structure - like the one exhibited by the American industry - would have facilitated the adoption of high throughput technologies, and eradicated the sector's technological backwardness. Other explanations for the industry's decline tend, as indicated below, to invert these arguments by highlighting the misguided and flawed strategies adopted by the large vertically integrated groups which came to dominate the industry during the 1960s and 1970s. Shepherd (1983:44-45), for example, argues that the large textile groups of the 1970s pursued a similar set of strategies centred around producing goods for a mass market. This was encouraged by the nature of the relationship that had developed between the large UK multiple retailers and textile producers. The former played a dominant role in product choice, design and quality control and thereby encouraged a production emphasis on long runs of standard, basic fabrics to the neglect of marketing and innovation. According to Shepherd (1983:36):

> 'It is telling.....that the ranking of the four countries by their capacity for survival in the 1970s...corresponds more or less with the ranking of "unconcentratedness": that is, Italy as the least concentrated and the best survivor, followed in

order by Germany, France and the UK.'

The poor international performance of the French and the UK industries is held to reflect the protection seeking strategies of a large number of marginal firms and the mass market orientation of a small number of very large firms.

The basic conclusion of his thesis is that the large textile corporations stifled entrepreneurial initiative. Blackburn (1981:52) is explicit about this connection:

> '...the industry's structure...has militated against its ability to keep up with the pace of the market, and ... the formation of very large groups in an industry like textiles has stifled enterprise and initiative.'

In the context of the UK, these factors have been allied to the character of industrial relations in the sector. Although it is conceded that textile workers are not particularly militant, Shepherd (1983:45) has argued that:

> 'their organisation along craft lines, combined with a certain traditionalism among many workers and managers, makes incremental technical and organisational change, particularly difficult and helps explain the relatively low productivity of UK textiles.'

The association between high concentration levels, the prominence of large textile corporations (often multinational in scope) and 'inflexibility' has informed analyses of the industry in recent debates on local economic strategy.

The record of one particular corporation, Courtaulds, has been singled out for trenchant criticism, notably for 'draining the industry of investment', 'causing the destruction of thousands of jobs', all of which is indicative of a 'marked lack of commitment to the UK textile

industry', and a 'frantic pursuit of profits', (Gilhespy 1986:209).

The purpose of the following discussion is not to engage with these arguments at the level of proposing an alternative or more preferable development path for the British textile industry. Comparisons will therefore not be made between the UK textile industry and ideal typical 'capitalist' success stories, like Italy or West Germany. Analyses which operationalise this type of comparison (Shepherd 1983) tend to make superficial connections between concentration levels, state intervention and economic performance and therefore become variants on a 'small is beautiful' theme.

In this context, it must be noted that other studies have not blamed the large vertically integrated firms for the sector's problems. In fact, in an analysis of an earlier period 1963-74, Fishwick and Cornu (1975:21-23) note that there was a rapid rise in labour productivity in the industry, and over the three sub-sectors, the greatest increases were in cotton spinning and weaving. The increased productivity had been achieved through capital expenditure, much of it financed by the largest enterprises. In 1968, the 19 largest employers in weaving accounted for 44% of employment and 66% of capital expenditure. In spinning, the corresponding proportions for the 15 largest employers were 59% and 71% (Fishwick and Cornu 1975:21-23). In a more recent analysis of the industry, Anson and Simpson (1988:251) emphasise the positive features of vertical

structures, namely, that they:

> 'give companies better control over the many stages in the textile chain. This...enables them to offer quick response but also gives them control over quality - essential if firms are to move to higher added value products...The result is greater flexibility in an industry which is largely design led...'.

These contrasting assessments of the impact of large firms on competitive performance point against explanations which centre on size alone. What is needed is an analysis of the economic, social and technical forces which cumulatively shape a sector's competitive performance, notably, the changing nature of state intervention in the industry and the prevailing relationship between employers, trade unions and the state.

6.3 The State and the Industry: an historical overview

The state has intervened in the textile industry, especially the cotton textile sector, at various periods during the twentieth century to spearhead reorganisation and large scale production economies. Why, though, has the state been forced to intervene in the industry on successive occasions?

Attempts by the state to rationalise capacity during the interwar period were a response to the failure of the industry to adapt itself to the changing imperatives of international competition. The British cotton industry had geared much of its production for export to mass markets in the LDCs, particularly India, China, Turkey and Egypt and to the colonies of Canada, South Africa and Australia. As early as 1913, the industry began to face acute problems posed by import substitution strategies in the LDCs and the emergence of competition from new exporters (Japan) (32).

Subsequently, by 1922, the volume of British piece goods exports was only 61% of the 1913 level and in 1929 only 53% (Lazonick 1985:19).

A consequence of the decline in export markets was the emergence of substantial excess capacity due to the existence of a large number of relatively small, horizontally specialised firms which had evolved to cater for large foreign markets. But despite the decline in demand for British cotton goods in the 1920s, spinning and weaving capacity failed to contract (Lazonick 1985:19). In 1929 there were 3% more spindles and only 6% fewer looms in operation than in 1913. As existing firms continued to compete for shrinking markets, there was little incentive for new investment in modern machinery. Miles (1976:185) estimates that in 1930 only 58% of spinning capacity and 54% of weaving capacity was in use. Surplus productive capacity, in turn, discouraged investment in new equipment and raised costs of production.

By the late 1920s, the Bank of England, acting through the Bankers' Industrial Development Company, sought to effect a large scale amalgamation of spinning capacity. This resulted in the formation of the Lancashire Cotton Corporation (LCC) which intended to merge as many as 200 mills and 20 million spindles in the spinning industry. The company was disliked by many cotton mill managers but was forced on a reluctant industry by creditors and bankers who threatened the directors of many spinning firms with termination of credit. By 1930, the LCC had acquired 96 companies making it the

largest merger (in terms of the number of firms disappearing) between the wars and the largest on record in the UK at any time (Hannah 1983:75). But there were problems in integrating many small and formerly independent cotton mills within one organisation and the LCC was unable to develop an effective management structure (cf. Lazonick 1985 and Hannah 1983). The LCC, though, did eradicate a large amount of surplus capacity and by 1939 it had scrapped about 4.5 mn spindles.

By 1934, under the impact of the world depression of the early 1930s, British yarn production had declined from its 1912 levels, by 40% and cloth production by 55%, while the number of spindles in the industry contracted by only 20% and the number of looms by 25% (Lazonick 1985:33).

According to an official government report, the generally high level of unemployment that prevailed, coupled with a declining domestic and export demand for cotton goods, meant that short-time working, unemployment and wage reductions were common. The industry:

> '...was relying on having at its disposal a cheap, highly skilled labour force which it could turn on, off or put on to short time at any moment' (Board of Trade Working Party Report 1946:8).

Widespread price cutting had reduced profit margins to a level which impeded large scale re-equipment. Moreover, cotton manufacturers were generally reluctant to invest in new machinery because they had evolved a strategy of operating antiquated machinery in times of buoyant demand and closing down plant when trade was depressed.

An early form of state intervention in the industry was the Cotton Spinning Industry Act of 1936 which was enacted to eliminate redundant spinning machinery. A total of 6.2 mn. spindles was scrapped which amounted to only 13% of 1935 installed capacity (Lazonick 1985:33/Briscoe 1971:128). The Act was relatively unsuccessful in attaining large scale rationalisation for a number of reasons. The Act was aimed purely at the spinning sector, thus neglecting the problems of excess capacity in weaving and finishing. More importantly, it proved impossible to get the numerous small spinning firms in the industry fully participating in the scheme. Hence, attempts to fix prices, regulate supplies by quotas, and carve up markets during the interwar period tended not to be successful (Miles 1968:33).

Two government enquiries into the industry - Report of the Cotton Textile Mission to the USA (London: HMSO 1944) and Board of Trade Working Party Report:Cotton (London: HMSO 1946) - were carried out during and immediately after the Second World War. Both reports highlighted the need for large-scale investment and structural change if the problems of high production cost, low productivity and technological backwardness were to be overcome. The Report of the Cotton Textile Mission to the USA (the Platt Report) made several recommendations, notably that the British industry needed to become increasingly standardised for high throughput production which in turn necessitated changes in distribution and production methods, involving large scale re-equipment of the industry.

The key points of the report were reinforced by the Board of Trade Working Party in 1946 which proposed that the industry needed to adapt itself to the situation of post war labour shortages by offering higher wages. The Report pointed out that high wages would encourage firms to invest in new machinery to raise productivity and reduce unit production costs and that such a strategy would necessitate the introduction of shift working.

It was also argued that the transformation of the industry into a high wage, high productivity sector could not be left to private sector initiative but required joint action involving both employers and the state. This last proposition led to a lengthy Memorandum of Dissent from the manufacturing members of the working party. They took a short-term view of the nature of the industry's problems and in particular, opposed both large scale re-equipment and enforced rationalisation. According to Miles (1968:17):

> '(this was) partly because of their attachment to free-enterprise principles, partly because of the need to avoid disruption of production, and partly because, they argued, traditional Lancashire equipment had certain technical advantages.'

The comprehensive proposals for structural change made in both reports were ignored by the industry. The 1948 Cotton Spinning Industry (Re-equipment Subsidy) Act attempted to implement part of the recommendations. According to the Act, firms with at least three mills and a minimum number of spindles were eligible for a 25% re-equipment subsidy for modernisation and the eradication of excess capacity. But the Act had a negligible impact on re-equipment or the

scrapping of excess capacity. Employers, instead, chose to maximise export earnings and short term profits from the post war boom, which reflected a temporary world shortage of cotton goods (33). Obsolescent plant was brought back into production, immigrant workers were recruited to operate the machinery, and employers failed to make any major changes in organisation or working methods. But by 1952, the post war boom was over and output, employment and export levels began to fall. Between 1951 and 1952 output fell by 28%, and from 1954 onwards, imports began to increase rapidly while exports continued to decline. According to Miles (1976:187):

> 'Imports, and especially imports from low-income Asian countries, were regarded as the cause of all the difficulties, and pressures for protection began to mount.'

At this point, the British industry was completely unprotected from the Commonwealth Asian producers of cotton textiles, which included Hong Kong, India and Pakistan. Imports from Japan, China and the Soviet bloc countries were controlled by quota under bilateral trade agreements, but otherwise there were no quantitative restrictions.

Surplus capacity, thus, re-emerged as a feature of the industry during the late 1950s. During 1957-59 under 70% of installed spindles were operational and 78% in weaving. The Conservative Government responded by introducing an ambitious piece of sectoral intervention - the 1959 Cotton Industry Act, which was intended to assist the industry in adapting to import competition. A set of 'voluntary limitations' on exports was agreed between the British cotton industry and the industries of Hong Kong, India and Pakistan to provide a two year 'breathing space' for

structural adaptation. The Act proposed that a half of the industry's plant be scrapped in spinning and 40% in weaving/finishing. Firms were compensated for their losses by the provision of grants to those ceasing to trade in textiles and subsidies for the purchase of new equipment. On this occasion a consensus operated between government and industry, including management and unions, over the need for joint action. Both parties realised that the problem of excess capacity could not be tackled by the industry alone without incurring large scale unemployment and widespread disruption.

A total of £17 mn. was paid in compensation to firms, of which £11.3 mn. was contributed by the state. The rationalisation target was almost reached with 48% of spinning spindles, 27% of all doubling spindles and 38% of all looms in the industry being scrapped. 203 firms left the industry (one fifth of the total), of which only 20 were vertically integrated, (ie. carrying out two or more processes). Of the remaining 183, 123 specialised exclusively in weaving. By 1963, 30 integrated spinning/weaving firms accounted for 70% of spinning capacity and 40% of weaving capacity. But it was larger firms, particularly multi-process firms, which took advantage of the re-equipment provisions of the Act. Firms staying outside the scheme were small with a mean size of 74 employees, whereas the mean size for those in the scheme was 250 for single process firms and 2,360 for multi-process firms.

Only relatively worthless, antiquated machinery was scrapped and re-equipment too fell short of Government expenditure estimates (Textile Council 1969). These had been based on the industry's own calculations of probable costs of re-equipment of between £80 mn. and £95 mn., whereas total eligible re-equipment expenditures amounted to £53.5 mn. But the 1959 Act did result in the modernisation of some of Lancashire's stock of machinery. By October 1965, 13% of spindles and 9% of the looms had been purchased with re-equipment grants and there were substantial productivity improvements in both spinning and weaving. Output per ring equivalent spindle increased by 30% between the beginning of 1959 and the middle of 1966, compared to only 2% during 1951-59. In the weaving sector, output per loom hour increased by 10% over 1951-59 and 14% between 1959 and mid-1965 (Miles 1968:87-88).

Nevertheless, contemporary government assessments deemed this type of sectoral intervention a failure because it did not address the fragmented structure of the industry. During the period 1961-62, the Estimates Committee of the House of Commons reviewed the operation of the Act and argued that:

> 'failing a speedy and satisfactory solution to the related problems of imports, marketing and the fuller use of plant and machinery, much of the expenditure incurred will have been to no purpose' (HMSO 1962: p.x. para.26).

But the assumption that the removal of surplus capacity and the provision of subsidies for new investment would restore the industry's competitiveness, ignored the features of many firms in the sector. A typical small, privately owned, unprofitable textile company was:

> 'able to disrupt prices, under-cutting firms with

> relatively high fixed costs when demand was rising and withdrawing again when trade was slack'. (Miles 1976:204).

Moreover, in the 1950s, the cotton unions cooperated with such a strategy by accepting lags in wage rates below national industrial wages, and short-time working when trade was depressed. The compliance of the unions in short term cost cutting strategies impeded the modernisation of the industry. As Turner points out, the unions were in effect offering 'a virtual subsidy to the technologically backward employer' (1962:339). The industry, through its trade associations, argued that money spent on new plant would be wasted without stricter import controls but Miles' (1976:209) more recent assessment of the Act emphasises other factors:

> 'An important lesson of the British textile experience is that the ailing small companies which are at the core of the problem are simply not able to take advantage of financial incentives, or are not interested in doing so. They lack a capital base, they lack cash flow, and they lack the necessary management skills.'

Despite state intervention in the industry, the Textile Council report (1969) indicates that by 1967 cotton textiles was predominantly a low wage, low productivity industry by international standards. The spinning sector had lower wage costs than other Western textile industries (excluding Portugal). In Holland and West Germany wages were 55 per cent above the UK and in the USA 160 per cent higher. On average, UK labour productivity compared unfavourably not only with Western countries but also with Hong Kong and Japan. Labour productivity was 45% greater in France and 80% greater in Germany. In weaving, average output per person hour in the UK was typically around 10% lower than in other

advanced European countries. The Report attributes (1969:42) these productivity differences to the tendency of UK textile employers to operate a higher proportion of outdated equipment than their major Western competitors. But it was also noted that productivity rates were lower than those prevailing in other Western textile industries, even when similar materials and equipment were compared. The Report cites managerial inefficiency as the main reason underlying the poor competitiveness of these firms, and argues for:

> 'better training and the more widespread and intensive use of work study and other specialist management techniques'. (1969:43)

In contrast, the Report was positive about the attitude of textile trade unions to the need for industrial change and adaptation:

> 'The industry is fortunate in having trade unions which, in collaboration with the employers' organisations, have achieved a standard of industrial relations which is the envy of many other industries. There has been no major strike in the industry for over 35 years ....the unions generally have accepted work study, multi-shift working and new methods..Rapid adaptation to the completely new requirements of the modern textile industry is now the main concern of trade union leadership.' (1969:89)

Nevertheless, the weakness of textile trade unions and their willingness to accept wage cuts and short time working rendered them unable to 'shock' the majority of textile employers into best practice production methods and investment in new technologies.

Thus, in 1936, 1948 and 1959, the state actively took measures, albeit on a sporadic and temporary basis, to halt the industry's decline by facilitating the structural adaptation of the sector. This involved the provision of financial assistance and subsidies to spearhead the

rationalisation of capacity, new investment and the modernisation of the sector. The state, though, did not anticipate the responses of the majority of cotton textile firms towards financial subsidies and their ability to transform the industry into a high wage, high productivity sector. Measures designed to accelerate the modernisation of the sector were rarely connected to any coherent vision of the industry's future development or even an appropriate form of industrial structure. The Platt Mission in 1944 was in favour of a vertically integrated structure for the cotton textile industry, whilst the Board of Trade Working Party in 1946 favoured both greater horisontal concentration and a more vertical structure. More importantly, the highly interventionist 1959 programme was entirely neutral on the question of an 'appropriate' industrial structure for cotton textiles. The measures therefore constituted an unsustained and inadequate attempt to halt the sector's decline.

6.3.1 Corporate Intervention

In recognition of the failure of the 1959 measures to adequately deal with the industry's problems, the state withdrew from direct sectoral intervention. Private sector initiatives, notably mergers to generate capital concentration and vertical integration, were actively encouraged. The most sustained impact on the structure of the textile industry came from the acquisitions pursued by the two leading synthetic fibre producers, Courtaulds and ICI. Both companies needed a secure customer base for their products and fear for the future viability of their domestic markets motivated both companies to intervene in the textile

industry. Structural reorganisation of the industry was also facilitated by the increasing concentration of the retail sector. The role of large multiple retailers in importing, in forcing down prices and in generating sharp changes in demand created pressure for larger firm size and vertical integration to counterpose the selling power of the retailers and to facilitate greater control over supplies and outlets and the development of branded textile products (Fishwick and Cornu 1975:5) (34).

Courtaulds' planned strategy was to acquire the five largest spinning firms, the Lancashire Cotton Corporation, Fine Spinners and Doublers, English Sewing Cotton, the Calico Printers' Association and Combined English Mills. Between 1963-69, Courtaulds spent nearly £150 mn. on acquisitions leaving it with 30% of all Lancashire spinning production, including the purchase of the Lancashire Cotton Corporation and Fine Spinners and Doublers, 22% of filament weaving, 35% of warp knitting and 35% of ladies' hosiery. The firm also invested £5 mn. in English Sewing Cotton and as a result held 8% of the equity of English Calico which was the result of a merger in 1968 between English Sewing Cotton and Calico Printers' Association. The company spent £57 mn. between 1962 and 1969 on re-equipment and expanding fibre using operations. The intention was to develop a series of capital intensive textile plants (particularly weaving) with high value added per worker. Courtaulds rationalised existing and acquired capacity, re-equipped some plants to raise productivity and built entirely new units on greenfield sites usually in Assisted Areas. Eventually, Courtaulds

acquired a substantial share of the British textile industry and became active in a wide range of textile processes ranging from spinning to clothing manufacture.

In contrast to Courtaulds' strategy of direct acquisitions, ICI pursued a policy of long term lending and purchasing limited amounts of share capital. The company, like Courtaulds, invested money in English Sewing Cotton Ltd. leaving it with 8% of the equity of English Calico and over the period 1963-70 invested over £20 mn. in Viyella International and Carrington and Dewhirst Ltd. In 1970, ICI arranged a merger between these two companies and with further investment into the new company (Carrington-Viyella Ltd.) eventually possessed 64% of the equity. In wool textiles, during the 1960s, ICI acquired a 20% holding in Lister and Co. Ltd.

According to Sir Arthur Knight (Chairman of Courtaulds from 1975-79):

> 'The initiative in approaching the fibre producers came from the government side. It was made clear that the government could not be expected to do more to help the industry, financially or by seeking agreement with exporting countries, unless the industry were seen to be doing more to help itself. Courtaulds felt encouraged by Board of Trade officials to take an initiative. The objective was to form a strong group which could effectively manage the troubled Lancashire section of the industry'. (1974:52)

Thenceforth, Courtaulds was to play a pivotal role in the industry and helped shape future state policy towards the textile sector. The company was an influential exponent of the argument that modernisation of the industry and the

implementation of capital intensive methods of production necessitated a period of special protection from low cost imports. The industry eventually got the protection it sought, in a new comprehensive quota system for cotton textiles introduced in 1966 covering all newly and semi-industrialised countries excluding the Sino-Soviet bloc. During the early 1970s, this was subsequently replaced by a system which allocated specific quotas to individual countries and during 1972, tariffs were introduced. In addition, Britain became a signatory to international protectionist agreements.

Textile companies also benefited from non-sectoral state financial assistance, particularly from loans and grants towards training and machinery expenditure in development areas, sanctioned by the Industrial Development Act 1966. Such provisions encouraged Courtaulds to build weaving mills and a spinning unit in development areas. According to Knight (1974:175,182):

> 'without the financial incentives these large projects may not have gone ahead and certainly would not have been located in these areas.'

It is estimated that about 25% of Courtaulds' investment in the five years to March 1970 came from Government grants.

Up to 1964, the Conservative Government displayed few public doubts about the extent and effect of acquisitions by the synthetic fibre producers but the Labour Government adopted a more ambivalent stance. Despite the positive attitude to mergers adopted by the Industrial Reorganisation Corporation, Courtaulds' monopoly of the supply of

cellulosic fibres was referred to the Monopolies Commission for investigation in 1965. While the Commission was sitting the company continued to acquire firms but the clearance for such acquisitions was being delayed by the Board of Trade. According to Knight (1974:153):

> 'This led to some irritation because Courtaulds were (sic) being encouraged to get on with integration, by both the Prime Minister in private conversation and the President of the Board of Trade (Douglas Jay), and the punctiliousness of the Board's officials contrasted oddly with this pressure.'

Moreover, in 1967 the Commission concluded that Courtaulds' acquisition of firms in the textile industry was much greater than required:

> 'to develop and promote the use of its (the company's) fibres and keep it in touch with users' problems.' (1967:85).

It also announced that the company should not make any further acquisitions in any sector of the textile and clothing industries, if its share of capacity (or of sales) exceeded 25%. Following Courtaulds' takeover bid for English Calico in 1969, the Labour Government announced a prohibition on further mergers between any of the five largest companies in the textile industry - (such firms, however, could continue to acquire smaller firms in the industry). This moratorium was breached when ICI made a takeover bid for Viyella International, to effect a merger with Carrington and Dewhurst, although ICI had to reduce its eventual shareholding in Carrington Viyella to not more than 35%. In addition, during 1973-74, Courtaulds acquired a 29% holding in Highams Ltd, a vertically integrated manufacturer of cotton type textiles, but in 1975, Courtaulds agreed with the Office of Fair Trading to reduce its holding in Highams

to 25% and not to use it to influence company policy.

Meanwhile, the state re-orientated its attention to smaller and medium sized textile firms to act as a counter weight to the influence of the larger corporate groupings. In 1970, the Industrial Reorganisation Corporation administered a special loan fund for medium sized and smaller textile companies to finance re-equipment and expansion schemes and up to £10 million was earmarked for textiles.

The impact of this merger activity on the structure of the textile industry was profound although uneven. In 1963-68, concentration increased in both the cotton and hosiery sub-sectors, which was mainly because of the intervention of the two fibre producers (35). Over the period 1968-73, concentration levels rose more in the wool sub-sector than in cotton or knitting (36) but despite such variation, the degree of concentration in the combination of the three sub-sectors was high: five firms controlled 57% of all turnover in 1968 and 59% in 1973. These were Courtaulds, Carrington Viyella, Tootal (previously English Calico), Coats Paton and Illingworth Morris.

If hitherto the state had misjudged the response of firms in the industry to the provision of financial subsidies, the notable feature of state policy during this period was its lack of consistency. During the early 1960s, the state actively encouraged the formation of large, vertically integrated groups and high levels of concentration in the industry. But by the late 1960s and early 1970s, state

policy was clearly being influenced by more atomistic notions of competition, and an inherent suspicion of the power of monopolies. Consequently, the merger policy for the industry was put into reverse and schemes were introduced to assist small and medium sized companies to counter the influence of the large producers. This meant that the large firms in the industry never achieved full vertical integration. Courtaulds' share of production diminishes at successive stages closer to the final market whereas Tootal's structure was the inverse, with a heavy presence in finishing and merchanting. Furthermore, the bargaining power of the large retailers was enhanced by the relative fragmentation of the knitting and garment manufacturing sectors, which made the textile industry especially vulnerable to low cost imports.

6.3.2 The mid-1970s onwards

In the 1960s an intense period of structural change in the industry coincided with the rapid oscillation of governments between contradictory and confused sectoral objectives. A sectoral approach to the industry's problems re-emerged in the mid 1970s. State financial assistance was directed to sectors other than cotton textiles, namely, the clothing industry and wool textiles sector and was intended to promote re-equipment, rationalisation and greater concentration. Assistance was provided in two stages under the Wool Textile Industry Schemes introduced in 1973 and 1976. Structural adjustment assistance loans were intended to help write off outdated equipment and to encourage firms to install modern machinery. Projects assisted under the

schemes involved investment of almost £100 mn. of private capital and £24 mn. was made available by the Government. An official study concluded that the funds made available had an important leverage on investment activity and that:

> 'the scheme had...brought about a most encouraging improvement in the performance of the industry in all major respects' (OECD 1983:111).

Rationalisation occurred with reductions in both production capacity and employment.

The Clothing Industry Scheme, introduced in 1975, had the objective of encouraging the reorganisation and rationalisation of firms, and also the concentration of industrial activity without increasing capacity. The financial commitment under the scheme which closed for applications at the end of 1977 totalled around £20 million. The vast majority of government assistance was spent on investment in equipment and buildings. Three quarters of the investment projects were assessed as successful in the sense that the company's investment had been recouped within three years and at least 40% of these companies recovered their investment faster than the two to three years payback that was normally expected on plant and machinery (Tottardill and Pearce 1986). An OECD (1983:112) report argued, however, that the impact of both schemes was weakened because they were not linked to any overall marketing, managerial, or product strategies to ensure the viability of assisted investment. Moreover, sectoral support was abandoned after an initial period of two years, which reflected a switch away by the Labour Government from overt sectoral intervention.

Whilst the state in the mid 1970s was concerned to facilitate the rationalisation and re-equipment of clothing and wool textiles, the industry was also a major recipient of the Temporary Employment Subsidy, designed to stem job losses and rising unemployment. The state paid a subsidy at the rate of £20 per week for each worker threatened with redundancy. At its height, in late 1977, the scheme covered 200,000 workers with about one half employed in textiles and clothing, equivalent to over 10% of the total labour force in these sectors. The scheme was eventually modified to restrict the extent to which it could benefit firms in textiles, clothing and footwear and to require potential recipients to show how they planned to make jobs viable within a year of starting to receive the subsidy.

Most of the large textile firms made extensive use of the scheme. It has been estimated that in 1977 the subsidy accounted for 20% of Carrington Viyella's pre tax profits, 3% of Coats Patons'; 10% of Tootal's; 7% of Allied Textiles'; 6% of Illingworth Morris's and 11% of Courtaulds' pre-tax profits (FT 27.7.78/29.7.78). There were real contradictions in state policy between the rationalising thrust of sectoral support and the employment subsidies offered by this scheme. Interestingly, a retrospective assessment of the scheme by a chairman of Tootal argued that employment subsidies had delayed the much needed rationalisation of the sector and referred to:

> 'the way in which the last Government prevented industry - and particularly the textiles industry - from reorganisation. Most of Tootal's plants which received TES have closed down'. (Times 14.7.80)

Since the demise of the sectoral schemes of the 1970s, very little substantial financial assistance has been made available to the industry. The present government has been ambivalent as to how or whether the structural adaptation of textiles and clothing should be facilitated and sectoral provision has generally been downgraded in preference to private sector initiatives. An extremely modest scheme of financial assistance was announced in March 1984. The Department of Trade and Industry announced a £20 million scheme aimed specifically at small and medium sized firms in the clothing, footwear and textile industries. The scheme was intended to provide an inventory of technologically advanced equipment, for which eligible firms would be able to apply for an investment grant of up to 20%. The TUC Textiles committee argued that:

> 'the amount set aside for the approved scheme for assistance - £5 mn. in each of the four years - is inadequate to meet the industry's needs.'

This view was endorsed by the clothing industry employers' association - the BCIA. Other criticisms of the scheme was its exclusive focus on new technology, which did not address the industry's problems of low investment, low productivity, poor marketing, financial weakness and inadequate management. The scheme was eventually rejected by the EC in February 1985 because it was judged incompatible with EC Competition policy. Tottardill and Pearce (1986:22) argued thus:

> 'there has been serious cause to doubt the DTI's willingness to pursue the scheme vigorously in Brussels, and indeed to doubt its commitment to the future of textile and clothing production in the UK...officials tend to draw a sweeping distinction between the so-called "sunset" and "sunrise" industries in allocating priorities for expenditure.'

Two forms of sectoral assistance are currently directed towards the industry. The Textile and Clothing Education Equipment Scheme, launched in June 1986, provides discretionary assistance to educational institutions for the purchase of advanced textile and clothing equipment and the EC's 'Basic Research in Industrial Technologies for Europe' programme (BRITE) provides financial support for basic research in established industries such as textiles and includes a specific budget for research on the handling of flexible materials.

But such schemes hardly constitute a form of coherent, targeted assistance towards the industry. This paucity of state provision has been characterised in a recent analysis as a:

> 'blanket refusal to give government assistance for industrial restructuring, although many other EEC countries have received large amounts of Government aid and have maintained production and employment with more success than the UK.' (Chisholm et al. 1986:61)

Non-sectoral financial assistance is provided under sections seven and eight of the 1982 Industry Act (eg. regional aid and national selective assistance). The Department of Trade and Industry has estimated that approximately £50 million in Government aid is paid to the textiles and clothing sector each year, of which around two thirds goes to textiles and one third to clothing. But there is little co-ordination of the many schemes which have often been approved under section eight and no sectoral appraisal of the schemes.

It appears, moreover, that very few textile and clothing firms take advantage of government assistance for which they are eligible (Totterdill and Pearce 1986:120). In 1981/82 the total assistance paid to textiles in regional development grants was just over £15 million - under 2.5% of the £616 million (approximately) paid to all industry. By 1983/84 this had dropped in both absolute and percentage terms to £7.3 million - 1.7% of the £438.9 million available. Assistance to clothing and footwear has also fallen from less than 1% of the total money made available to industry in 1981/82 to 0.9% in 1983/84. This is clearly related to the fact that many of the specific schemes aimed at supporting innovation and providing technical advice to firms are restricted to companies with at least sixty employees or require large minimum investments which tend to exclude small firms in the industry.

Changes in state provision since 1984, particularly under the recent Regional Industrial Policy Act, have further reduced the aid available to industry. Under section eight, selective assistance is now only available in exceptional cases. It has been estimated that by 1988 £300 million a year will have been removed from an annual regional aid budget of £590 million. Special Development Areas have disappeared and many areas have been downgraded from development area to intermediate area status which are not eligible for automatic regional development grants. This means that many areas in which the industry is concentrated are now excluded from assistance, including the East Midlands and large parts of West Yorkshire (37).

The role of the National Economic Development Corporation, which was originally envisaged as a strategic planning agency, has also been effectively downgraded. The sectoral EDCs have spawned a range of initiatives directed towards particular themes (ie. marketing, design) but these have not been linked to an overall strategy for industry in general or textiles and clothing in particular. The textile EDCs have on occasion delivered muted protests about the lack of government aid for the industry. The Cotton EDC argued:

> 'The industry does not seek special treatment, but it would welcome similar assistance to that which its European competitors have received so that it can compete on an equal and fair basis' (1983:13)

Union representatives on the NEDO committees have argued that the council should consider the way in which macro-economic policy inhibits the improvement of industry performance at the sectoral level. Textile unions, notably the National Union of Hosiery and Knitwear Workers, also felt that NEDO and the industry committees have been biased towards corporate priorities:

> 'NEDO was too conscious of management sensitivities and failed to raise difficult issues on EDCs like outward investment and the activities of multinational corporations.' (NUHKW 1986:228-229)

The most visible form of state assistance to the industry in the 1980s was the renegotiation of the Multi Fibre Agreement, which is now less of a 'breathing space' for the industry's reorganisation and more a permanent feature. The UK Government's participation in the renewal of the MFA in 1986 occurred only after intensive and prolonged lobbying by both the textile and clothing industry associations and the trade unions through the TUC Textiles, Clothing and Footwear

Industries Committee (TUC 1985) and despite fears that the government would be reluctant to pursue a policy which ran counter to its ideological preference for the liberalisation of international trade. According to the industry lobby, the Textile Industry Support Campaign, it was 'an open secret that the UK representatives at Brussels (were) taking a much more liberal line than the government (was) willing to admit' and UK representatives initially joined West Germany and the Netherlands in supporting greater liberalisation of textile and clothing trade (FT 27.11.85).

The current government's ambivalence towards planned 'interference' in international trade, and its reliance on private sector initiatives to reshape the industry meshes uneasily with the policy objectives of industry and union representatives (38). The British Textile Confederation (BTC) - an industry pressure group consisting of both employer and union representatives - expresses in a concrete way the degree of consensus that exists between trade unions and employers on the underlying reason for the industry's decline and strategies for renewal. This consensus has traditionally coalesced around the adoption of protectionist measures to stem the rising levels of imports, particularly of low cost textile and clothing products, and to thereby protect jobs. The British Textile Confederation has often acknowledged the coalition of interests that has evolved between unions and employers in the industry. In its annual report of 1984, it pointed out that:

> 'The Confederation is an equal partnership between the industry's trade unions and employer organisations... in the practical and policy issues with which the Confederation deals, the level of co-operation between the two parties is outstanding. The resolute and positive

> way in which our trade union members promote policies to strengthen the industry on which their members' livelihood depends has been extremely effective.' (BTC Annual Report 1984:9)

The concern of unions and employers with the problem of imports is not a recent phenomenon but has its roots in the early part of the post war period. In the late 1950s there was a spate of resignations from the Conservative Party by 'angry cotton manufacturers' until government policy was adjusted to 'meet the needs of Lancashire ... to guarantee a brighter future for the industry' (Singleton 1986:105) and union officials expressed similar disenchantment with the Labour Party's policy on the cotton textile industry and the threat of imports in the 1960s. At the 1967 TUC Conference, a delegate from the Amalgamated Weavers complained that Labour Party promises regarding import protection had not been adequately fulfilled and that the government was pursuing a 'laissez faire' policy which would lead to the 'undisciplined rout' of the industry. The argument, articulated by both unions and employers during this period, was that imports were the most important immediate threat to jobs and that successive post war governments had betrayed the Lancashire cotton textile industry by failing to introduce adequate protectionist measures. The response of both employers and unions in the industry has been attributed 'to the fact that imports were the only element that Lancashire felt able to affect through political lobbying'. (Singleton 1986:106)

This coalition of interests between employers and unions has continued to permeate industrial relations in the industry

up until the present. During the period of mill closures in the mid 1970s, unions and employers united once again to call for stricter import controls. Mr Fred Hague, the joint general secretary of the Amalgamated Textile Workers Union, argued that Courtaulds had been forced into plant closures because of the deteriorating state of trade and the high level of low cost imports (FT 8.3.75). Members of the Hosiery and Knitwear Union had adopted a strategy during this period of picketing shops which sold imported knitwear and urging customers to buy UK goods.

The most recent and formal articulation of trade union policy on the problems of the UK textile industry is contained in a TUC document, 'A Fair Balance in Textile and Clothing Trade: a TUC Statement on MFA 4' published in 1985. The central message of this document is of support for import controls and in particular, the renewal of the Multi Fibre Agreement. It is argued that the MFA should be renewed partly to help safeguard jobs in the UK textile industry but also to give continued opportunities to the least developed countries. Some modifications are proposed, notably that the least developed countries should receive more favourable treatment than other suppliers, such as the NICs and that a social clause be introduced to facilitate social improvements in all MFA countries. It is suggested that action should be taken against countries which persistently infringe ILO Conventions on minimum labour standards but this would occur only after a lengthy procedure is completed and after every other solution is explored.

The TUC attributes much of the employment decline in the industry to the recessionary conditions of the early 1980s, and the economic policies of the British government (eg. the high value of the pound, high interest rates and low domestic demand) but it also argues that a major factor underlying job losses over the past ten years has been the constant pressure of low and high cost imports which weakened the industry's ability to fight off the damaging effects of the recession. According to Neil Kearney - Head of Research at the National Union of Tailors and Garment Workers - the MFA:

> '... has given a degree of stability .....; companies are feeling more secure and making the investments; they are more competitive, and are thus holding on to jobs.'
> (International Labour Reports March-April 1986:9).

The TUC policy on the MFA reflects an alliance of interests between (national) employers and textile trade unions which centres around the necessity of protectionist measures, the restoration of the profitability of the UK industry and (it is hoped) the preservation of jobs. Textile trade unions have been irrevocably weakened and strategically out paced by the rapid and traumatic decline of the industry, and have in the main responded by supporting any corporate and government measure which will preserve jobs even on an insecure and temporary basis.

A typical view held by trade unions and many employers in textiles, and the related industries of clothing and retailing is that successive governments have been content to let the industry continue on its downward path, and have

thus done little to stem its decline. A director of Marks and Spencer criticised the paucity of state provision for the industry in the following way:

> 'Rarely understanding the importance of the clothing industry to the economy, most Governments have been guilty of double standards, only showing concern when unemployment threatened their political base and future. In contrast to the practices of key competitor countries, especially France and Italy, UK Government assistance for the clothing, knitwear and textile industries over the past thirty years has been derisory....'. J. Salisse, (Knitting Sector Working Party 1983:13)

But the foregoing analysis indicates that the central problem with the relationship between the industry and the state is not the limited extent of the state's intervention, but the character of sectoral policy itself. The state has chosen to intervene in the industry on a sporadic and unsustained basis - often when the industry's problems have been at their most acute. More importantly, sectoral policies have had mutually inconsistent objectives. Measures designed to accelerate the modernisation of the sector were rarely connected to any coherent vision of the industry's future development or even an appropriate form of industrial structure and governments have often made unrealistic assumptions regarding the responses of firms towards financial subsidies and their ability to transform the industry into a high wage, high productivity sector. These contradictions were at their height during the 1960s when the state actively encouraged the formation of large, vertically integrated groups and high levels of concentration in the industry which were then overturned by more atomistic notions of competition, and an inherent suspicion of the power of monopolies. Consequently, the

merger policy for the industry was put into reverse and schemes were introduced to assist small and medium sized companies to counter the influence of the large producers.

Protectionism has ceased being a 'temporary breathing space' for the industry's reorganisation and has become a permanent measure despite the current government's more ambivalent stance towards the regulation of international textile trade. But the relatively permanent protection of industries from low cost competition delays the adaptation of companies to competitive pressures and therefore runs counter to attempts by the state to facilitate and accelerate the modernisation of the industry through financial subsidies for scrapping and re-equipment. In further contradiction to the modernising thrust of sectoral policy, the industry has also been a beneficiary of employment subsidies designed to encourage firms to 'hoard' labour in times of rising unemployment and recession. But the cheapening of labour by the state through financial subsidies potentially impedes the rationalisation of productive capacity, the adoption of labour displacing technologies and the process of industrial restructuring.

In the present period of the industry's reorganisation, the state has downgraded sectoral support, in preference to private sector initiatives. The industry has been left to reshape its own productive base to the imperatives of international competition. The structural adaptation of the sector in the 1980s has been at great social cost for textile workers who have been massively displaced from the

industry but as yet, such measures have failed to irrevocably stem the industry's decline. The government's negative stance on the Multi Fibre Agreement and its non-interventionist approach towards the industry's problems have therefore produced significant tensions between the state and the relevant employer's associations and textile and clothing trade unions who are united in their concern about the impact of exchange rates on the industry's competitiveness, the absence of any substantial targeted sectoral assistance, and the government's commitment to the liberalisation of trade.

Chapter Seven: Decline or Regeneration; a move to flexible specialisation?

The overall picture of two industries beset by continuing decline and competitive weakness is not universally accepted, particularly in relation to the clothing industry. It has been argued that substantial changes are occurring in the character of inter-industry competition consonant with the emergence of a 'new pattern of production and distribution' (Raitlin 1985, Raitlin and Totterdill 1989, GLC 1986, Ritter 1986). These writers have drawn upon the 'flexible' potential of automation technologies and their convergence with a shift to the production of higher quality, fashion orientated products to assert that this has led to a:

> 'visible shift in the relocation of production in the industry from the Third World to Western European countries since the beginning of the 1980s' (Ritter 1986:46).

Allegedly, this new pattern of competition not only indicates that industries like clothing and textiles are moving from a Fordist mass production paradigm to flexible specialisation production methods, but the effect has been to reduce the importance of Third World clothing imports into the UK. The implication, then, is that the changing character of inter-industry competition has provided a favourable context for the regeneration of these industries.

Textile and clothing production has previously been 'Fordist', it is argued, because of the nature of the relationship between British retailers and manufacturers. Clothing retailing has been dominated by a few large groups who have exercised enormous buying power in the wholesale

market for garments and fabrics. According to NEDO (1982:19) a stable contractual relationship was built up between the major textile groups and multiple retailers. Retailers emphasised basic garments with little fashion content and Marks and Spencer, in particular, set very detailed specifications for fabrics, making up and final garment quality.

Manufacturers, like Courtaulds and Carrington Viyella, geared their production to large volumes of basic fabrics for a few major customers and gradually withdrew from small orders and more design sensitive products. The role of garments and fabrics branded by manufacturers diminished. The dominant retailers increasingly set the pace and direction of fashion changes and pressed their suppliers to capture available production economies of scale by adopting garment engineering techniques developed in the USA. Competition among retail chains revolved around the price and the quality of garments.

Various forces are identified which have brought about the transition to flexible specialisation, but the ones that are most commonly cited are shifts in the composition of demand, the volatile nature of consumer demand for clothing, demographic changes, and product differentiation which have cumulatively fragmented the mass market for clothing and eroded the advantages of long run manufacture (Keitlin 1985).

In the UK context, retail competition has intensified as overall growth in consumer demand for clothing has slowed. The market share of the multiple retailers (Littlewoods, BHS, Marks and Spencer) has been affected by the smaller chains of 'image' shops (Benetton, Next) and grocery supermarkets (Asda, Tesco) have gained market share in many imported basic garments. The big retailers have responded by shifting away from merchandise which competes with low cost imports and have introduced more fashion elements into their garments. Retailers have also responded by increasing the speed with which they introduce fashion and style changes. This, in turn, forces their suppliers to manufacture shorter runs of garments with higher design and fashion content leading to an increase in the number of different garment styles being sold and discontinued from season to season. This situation inherently favours manufacturers in developed economies because of their geographical proximity to retailers. According to Mitter (1986:52):

> 'It is difficult for the large scale garment manufacturers in the Far East to be responsive, either in design or colour terms, or in speed of delivery, to the fashion requirements of a remote market.'

Hence, there has been a shift in retail competition away from an emphasis on garment price to non price factors, such as design, quality, speed of delivery. These changes, it is argued, have created a more balanced relationship between retailers and suppliers creating a new pattern of production and distribution. Manufacturers have broadened their order books and have become less vulnerable to monopsonistic pressure on their profit margins. Retailers are more

dependent on suppliers capable of productive flexibility and able to generate saleable designs. Clothing suppliers no longer turn out long runs of individual garments at the lowest unit cost but design and manufacture the widest possible style range at the lowest cumulative cost. According to Zeitlin (1985:12):

> 'flexibility has become the key to competitive performance and the means for its realisation has been found in new computer based technologies.'

Such developments, it is argued, have led to sharp drops in overseas imports from retailers. Mitter (1986) has asserted that major department stores reduced imported clothing by 36% over 1981-83 and Hoffman and Rush (1984) stated, on the basis of interview evidence, that UK retailers, noted for a past preference for sourcing in the Far East, indicated that higher prices for imported products, improved domestic efficiency and changing buying patterns had all stimulated domestic sourcing. Zeitlin (1985:10-11) cites clothing trade and production trends over the 1980-83 period, which allegedly demonstrate that the share of LDC imports to Britain has fallen, with the value of clothing imports as a whole levelling off between 1982-83.

7.1. Inter-industry competition

7.1.1 A shift to domestic sourcing?

A straightforward connection does not exist between the alleged fragmentation of consumer demand for clothing, the strategies of UK retailers and a shift to flexible specialisation. In particular, the purchasing patterns and sourcing strategies of retailers are both varied and complex.

As chapter three indicates, the UK clothing industry, unlike West German and French clothing manufacturers, has not in the main relocated production 'offshore'. This has been partly due to the volume purchases of major retailers, and in particular the domestic sourcing policy of Marks and Spencer. The dependency relationship between Marks and Spencer and clothing manufacturers has tended to preserve the latter, but over-reliance on a limited number of retail customers has meant closure or severely reduced margins in times of recession as in the late 1970s and early 1980s (Gibbs 1987:2). As Rainnie (1984) points out, Marks and Spencer has a large number of dependent suppliers and de facto control of the production process in these companies. This has given it the flexibility to respond rapidly to changes in demand for particular items whilst not bearing the risks of ownership of production facilities. Production, though, has been organised within specified factories and not subcontracted out to other clothing firms or homeworkers.

Other retailers in the UK have adopted a slightly different strategy (eg. C & A) in that they have relied on designs from wholesalers or manufacturers and engaged in widespread subcontracting often mediated through so-called 'middleman'. Production has been subcontracted to small, inner city firms and homeworkers thereby making use of skilled but very low paid, immigrant female labour (cf. Mitter 1986, Phizacklea 1987).

This situation has had profound implications for textile manufacturers. Competition among retailers in the past for increased market share has affected garment manufacturers by placing pressure on their production costs and profitability which in turn encouraged firms to source low cost imported raw materials (yarns and fabrics) from overseas at the expense of UK textile producers (NEDO 1982:29). Higher value, dyed and finished fabrics have tended to be purchased from European textile manufacturers. It is estimated that half the fabric in Marks and Spencer's clothing (Silberston 1984:46) and over 70% by volume of all fabrics for the UK clothing industry are imported (Knitting International May 1985). The chairman of Marks and Spencer argued that fabric is imported for quality reasons:

> 'We and our suppliers are compelled to buy a substantial quantity of woven fabrics from high wage, technically advanced producers, mainly in Western Europe, North America and Israel. Much of this could, and should, be within the capacity of British firms to produce, but they do not.' (Annual Report 1978)

Marks and Spencer has had until recently an explicit domestic sourcing policy for clothing goods, but the scale of operation of some UK retailers (British Home Stores,

Littlewoods) has enabled them to take an active role in overseas sourcing with extensive involvement in international subcontracting and purchasing agreements with low cost LDCs. The actual volume of imports under such agreements is difficult to measure but it is believed to form a large part of the UK's overall trade deficit in clothing products. Hamill (1987) points out that Littlewoods directly imports approximately seven million manufactured garments per year from Hong Kong alone. In France and Italy, however, the fragmented nature of the retail system has made it more difficult for low cost imports to penetrate the clothing market. For example, independent specialist stores have a share of only 19% of UK retail clothing sales compared with over 60% in France, almost 70% in West Germany, and about 80% in Italy. In the UK, the large clothing multiples and variety chain stores have about 44% of retail clothing sales, with department stores a further 9% and mail order stores about 10% (Anson and Simpson 1988:251).

It has been argued, though, that this situation has significantly changed and that individual UK retailers sought in the early 1980s to reduce their dependence on imported items (Keitlin 1985, Mitter 1986). But to what extent has there been a shift in retail purchasing patterns away from overseas sourcing? Moreover, do short term changes in trade trends constitute evidence in support of long term shifts in competitive relationships?

Developments, other than a shift to flexible specialisation, are more responsible for the slowing down in import penetration of the British market from low cost sources during the early 1980s. Among these are a more restrictive MFA, the rising labour costs of the Asian NICs, an increase in transport and insurance costs and currency movements. Furthermore, by the mid-1980s these favourable trends had been reversed. In 1987, imports of textiles and clothing into the UK from low cost countries rose by a third despite MFA quotas, which was largely due to exchange rate movements, particularly the devaluation of the dollar since 1986 which enhanced the competitiveness of both America and the Far Eastern NICs. Over the longer period 1986-88, low cost imports of textiles and clothing rose by 42%. In short, short term trends in trade flows appear to be conditioned by currency movements and the impact of protectionist agreements rather than a prolonged shift in comparative advantage to the UK clothing industry.

The argument that retailers have sought to reduce their dependence on imports also tends to be an extrapolation from temporary, short term adjustments in retail purchasing patterns. There have been, for example, recent reports of an increase in overseas sourcing by the major High Street retailers, and more importantly, Marks and Spencer has begun to source some of its clothing from the Far East. A spokesman for the company argued thus:

> 'Many comments have been made about our imports from the Far East...we should all recognise that the image of the Far East is changing rapidly...There are centres of excellence emerging even in countries known in the past only for cheap production...Marks and Spencer will buy abroad when we cannot get at home the quality or innovation customers seek.' (Knitting International,

April 1986:64-65)

Although Marks and Spencer purchased 20% of the UK's entire output of clothing in 1987, a recent Economist report (15.10.88) noted that the company plans to source a larger proportion of its goods overseas to get the lowest possible price. UK suppliers have reportedly been told that they can continue to supply Marks and Spencer only if they are willing to source raw materials (yarn, fabric) and finished garments on an international basis. It is therefore unsurprising that William Baird, the third largest clothing manufacturer in the UK and supplier of contract clothing to multiple retailers like Marks and Spencer, C & A, and Storehouse, has increased its sourcing from contract manufacturers in the Far East to around one third of its clothing requirements. The company is currently building a new warehouse in Manchester to handle its imports of clothing for Marks and Spencer (FT 26.4.88). In 1988, most of the large Marks and Spencer suppliers set up or purchased sourcing houses in the Far East in response to the rise of the pound (above the critical level of $1.60) and the depreciation of the US dollar, although it appears that some have incurred problems with these arrangements, including late deliveries and poor product quality (FT 31.1.89) (39).

Evidence therefore suggests that the 'new' retail competition does not intrinsically favour British textile and clothing manufacturers. Although non-price factors may have become more salient during the 1980s, - and this is a phenomenon which is intrinsically difficult to measure - the

price competitiveness of textile and clothing goods continues to condition the purchasing policies of the large retailers. It has been argued that retailers will purchase garments from domestic manufacturers as long as the price differential between their goods and comparable imports is no higher than 20% (FT 26.4.88). According to Anson (1988:25):

> 'In today's global markets, price, coupled with availability, is clearly a major factor in sourcing decisions taken by retailers and other importers.'

The recent spate of mergers and acquisitions by large retailers to maintain their market share in a slowly growing market has exacerbated the ease with which imports can penetrate the British market (40). More importantly, Marks and Spencer is in the process of becoming a multinational retailer. In 1988, the company acquired a large American menswear retailer, Brooks Bros. which will spearhead its expansion in North America and the Far East (FT 9.3.88). Currently, Marks and Spencer has 21 stores in Japan and intends to expand in Europe through acquisitions of existing retail stores. The attempt by Marks and Spencer to extend its international presence has profound implications for UK clothing and textile manufacturers and may indeed underpin its shift to a more overt overseas sourcing policy.

Moreover, any competitive advantage accruing to UK manufacturers because of their geographical proximity to retailers may be seriously dissipated by the emergence of the single European market in 1992. A recent report from the Boston Consulting Group estimates that the cost of transporting goods within the EC should fall by 10% to 20%

after 1992 (FT 20.2.89). In addition, the Commission is expected to replace MFA quotas negotiated presently on a country by country basis with a Community wide system which it is feared would make the European market more accessible to textiles from outside the Community. One of the most vulnerable markets is of course the UK which has the highest concentration of retail buying power and is thus the easiest for imports to penetrate.

7.1.2 Patterns of change in manufacturing

Is there evidence to support the contention that a long term shift to a pattern of production typically associated with flexible specialisation has occurred in the 1980s?

It is hard to identify with any degree of analytical precision, which sectors or firms of the textile and clothing industry are making the alleged transition from Fordism to flexible specialisation. As Zeitlin and Totterdill (1989) concede in their more recent analysis, it is probably dubious to assume that clothing firms were ever stereotypically Fordist in the first place. An OECD study (1983) pointed out that in the clothing industry, typically Fordist technology, such as high performance special purpose machines has been justified only for very large production runs, which are possible for a minority of products, such as jeans and man's shirts. However, in the primary textile industry, covering spinning and weaving, products have tended to be standardised and manufactured in large volume, but there does not seem to be any real move here to short run, batch production. Again, firms can display a typical

flex-spec emphasis on design, fashion and marketing, but still produce an essentially standardised product, such as Benetton, whose knitwear only becomes differentiated at the dyeing stage.

Furthermore, the degree of productive flexibility required by manufacturers is often over-emphasised. It has been argued that a large part of the design differentiation demanded by retailers consists of marginal changes to existing designs. S R Gent - one of the largest of Marks and Spencer's clothing suppliers - handle a wide range of styles but make small rather than substantial design alterations to their garments (GLC 1985).

The debate on changing production methods in the textile and clothing industry has generated contradictory assertions regarding the restructuring of the retail-manufacturer relationship. Zeitlin's (1985) study suggests that retailers now favour long term relationships with a smaller number of suppliers to ensure high standards of quality, speed of turnaround, and greater design input by the manufacturers. But Mitter (1986) asserts that the trend to non-price competition in the retail sector and shorter production runs necessitates access to multiple suppliers and has led to extensive subcontracting by retailers and manufacturers, often involving homeworking.

The clothing industry is the site of a number of complex retail-manufacturer relationships. For example, cut, make and trim production units (CMT), out-workers and homeworkers

tend to produce lower quality, cheap fashion garments for sale by mail order firms, some large stores (C & A) and street traders. Sweatshops, in particular, compete on the basis of low labour costs, utilise antiquated machinery and remain dependant on orders from retailers and wholesaler/manufacturers or 'middlemen'. It is difficult to quantify the extent of sweatshops in the industry, but the British Clothing Industry Association estimates that sweatshops provided one tenth of the industry's value of sales in 1987. The number of clothing companies in East London has risen from 10,000 to 30,000 since 1980, and the West Midlands clothing industry has multiplied from 5,000 firms to 25,000 (FT 19.11.88). The more advanced sector of the clothing industry covers the well-equipped larger producers (S R Gent, I J Dawhirst, Courtaulds, Coats Viyella etc.), who are encouraged by Marks and Spencer and other retailers (Next, Principles) to introduce the latest automatic production methods and develop their own design facilities (Chisholm et al. 1986).

There is, however, little evidence of a significant shift in the relationship between retailers and manufacturers towards a more 'balanced' partnership. Despite the fact that the supposed transition to flexible specialisation favours small firms, there is scarcely any evidence to suggest that more 'upmarket' retailers have switched sourcing away from large firms in the UK industry to small firms. In fact, retailers which sell high quality, fashion products, such as Marks and Spencer and Next/Principles, have always had an ambivalent relationship with small firms. Saitlin's (1985) study of the

London clothing industry indicates that these retailers have traditionally avoided sourcing from small firms, because of their technological backwardness, and the widespread use of outwork which has meant that their products are typically of low quality.

Gibbs' study (1987:8) of clothing suppliers in the North West, indicates that retailers are setting tighter deadlines, and seeking faster turnaround times and reorders at shorter notice (41). But the pressure from retailers to reduce production costs had not abated and one particular manufacturer suggested that any revival of the industry depended on manufacturers continuing to reduce costs. There was no evidence of higher quality and shorter runs being rewarded by higher making up prices for garments (42). Advances in retail automation, such as electronic point of sale systems, have meant that manufacturers are increasingly carrying the risks of higher stocks. The stock levels of some Marks and Spencer suppliers, notably I.J. Dewhirst, have risen due to the introduction of new automated distribution systems (FT 31.1.89).

Contrary to Saitlin's (1985:10) optimistic scenario of manufacturers becoming less subject to monopsonistic pressure on their profit margins as they broaden their range of customers, it appears that current competitive conditions involve clothing firms carrying the risks of design, innovation and stock holding. Moreover the downturn in UK retail trading conditions in the latter half of 1988 in the UK means that retail clothing has once again become the site

of intense competition and price cutting. Marks and Spencer announced a 1% fall in clothing prices in its interim results for April to end of September 1988. According to the British Textile Confederation (1989:3), increased interest rates have had a negative impact on the market for clothing and household textiles. The fall in the rate of growth of consumer expenditure has influenced ordering patterns at all levels of the retail and distribution chain, with companies holding off placing orders for as long as possible. It seems probable that in 1989, clothing suppliers will be squeezed by both an increase in imports and retail pressure on prices.

Whilst the continuing decline of both the textiles and clothing industry may not be inevitable, there is little evidence to justify the claim that we are witnessing a 'regeneration' of either industry in the UK context. In contrast to textiles, the clothing industry has experienced a modest recovery in output after the collapse of production and employment in the early 1980s. These trends, and the temporary slow down in import penetration in the early 1980s, represent the complex interplay of a number of factors, including the domestic sourcing policies of Marks and Spencer, an increase in consumer expenditure on clothing and temporary adjustments in retail purchasing patterns due to the depreciation of sterling in the early 1980s.

But, as the foregoing analysis indicates, none of these factors confirm a transition away from Fordism to strategies of flexible specialisation or long term changes in the

nature of inter-industry competition. Moreover, they had all either been modified or reversed by the late 1980s. Marks and Spencer appears to be shifting to a more overt overseas sourcing policy and retail trading conditions were generally less buoyant in 1988 because of the rise in UK interest rates. Adverse movements in the exchange rate, notably the depreciation of the US dollar from early 1985 gave dollar based countries in North America and the Far East a substantial cost advantage over British producers, which was exacerbated in 1988 by the appreciation of sterling against other European currencies. Consequently, imports of clothing products rose by 33% over 1986-88, compared to an increase in exports of 13% with the import penetration index (ratio of imports to home demand) having risen throughout the 1980s. More recently, output of clothing has been depressed - production levels were 2% lower in the third quarter of 1988 compared to 1987, and overall output in 1988 had fallen slightly from the 1987 level.

Claims, therefore, of a shift in comparative advantage towards UK producers based on strategies of flexible specialisation tend to be hasty extrapolations from short term trade trends. Evidence indicates that inter-industry competitive relationships are not changing in ways that intrinsically favour domestically based UK manufacturers. Whilst non-price product differentiation strategies may have become more salient in the 1980s, the price competitiveness of textile and clothing products still appears to be an important determinant of retail purchasing patterns and sourcing policies. This could explain the reported increase

in homeworking and small production units which utilise immigrant female labour on very low rates of pay. Low cost garments from the informal sector of the industry are intended to be price competitive with those obtainable from subcontractors based in LDCs. There is little evidence, therefore, to connect such developments with a shift by retailers/manufacturers to design orientated, high value added, high quality production, characteristic of flex-spec strategies.

SECTION C: MULTINATIONAL CORPORATIONS AND BRITISH TEXTILES: COMPANY STRATEGIES AND PLANT LEVEL INDUSTRIAL RELATIONS

The foregoing analysis indicates that multinational corporations have actively reshaped the textile industry over the post war period. The significance of large textile firms and in particular, those with an extensive international presence, varies between different nation states.

The UK textiles industry is currently dominated by three large and influential producers - Coats Viyella, Courtaulds and Tootal. It has already been demonstrated that these firms were pivotal in reshaping the industry's structure by spearheading a process of concentration through amalgamations and takeovers. But these three firms are also large producers within an international context. In 1986, Coats Viyella was the world's second largest textile company in terms of the value of sales, with Courtaulds the eighth largest. These two companies are currently the two largest European textile companies. The UK textile industry is one of the most internationalised of textile industries in the OECD, with only Japan having a more substantial international presence (Hamill 1987:10). The three largest UK textile firms have extensive overseas interests with foreign subsidiaries in both developed and developing countries. Moreover, Coats Paton - before its merger with Vantona Viyella - and Courtaulds, had established foreign subsidiaries prior to the First World War. Not only have these firms been important 'national' actors - mediating the fate of the industry within the context of the UK - but they have also been significant agents at the level of the world

industry. This has occurred through their participation in the industry's internationalisation and the general shift of production and employment to LDCs.

The objective of the following discussion is to investigate in detail the international activities of these firms, their domestic strategies, and the changing balance between their national and international interests. Courtaulds, in particular, was encouraged by the British state in the 1960s to intervene and arrest the decline of the industry at the national level. But in what ways have these firms mediated the decline of the industry at the national level? And has their 'multinationality', and international mobility actually exacerbated this process?

Corporate strategies reflect the interaction of national and international economic forces. They are also mediated by social agents operating at the level of individual workplaces. Firms respond to competitive pressures by changing the structure of production, industrial relations, and the social division of labour. The recomposition of production relations tends to occur in a particularly acute form at the level of the plant. The reshaping of the production process at two of Courtaulds' textile plants therefore serves as an analytical medium through which the process and dynamics of industrial change can be revealed.

Chapter Eight: Corporate Strategies in the 1980s

The corporate strategies, both national and international, of the three major British textile multinationals are the subject of this chapter. The analysis points up important differences between multinational corporations in the textile industry, and the emphasis placed by individual corporations on the balance between their UK and overseas activities, and particular forms of internationalisation.

8.1 Coats Viyella

Coats Viyella is the world's largest thread producer, but also has extensive interests in clothing, yarns and fabrics, household furnishings and retailing. In its present form, it has existed only since January 1986, when it was formed by a merger between Coats Paton (already an important multinational) and Vantona Viyella, a purely British based clothing and furnishing company with almost no exports. This company in turn was the result of several mergers and takeovers that occurred in the 1980s, namely, the acquisitions by Vantona of Carrington Viyella in 1982, and two Marks and Spencer suppliers, F. Miller in 1984 and Nottingham Manufacturing in 1985.

The company is now the most internationally oriented of the major UK producers with subsidiary or affiliate companies in more than thirty countries, both LDCs and developed countries. Prior to the merger with Vantona Viyella, less than one third of the company's assets and employment were in the UK with foreign operations accounting for approximately 90% of the company's profits.

Table 30: Coats Paton; global distribution of employment, 1974, 1978 and 1983 and post merger distribution, 1986, 1987.

Employment	1974	1978	1983 Coats Viyella	1986	1987
Worldwide	74,000	66,000	43,500	70,723	68,485
UK	32,600	23,800	15,200	43,120	41,544
Foreign	41,000	42,200	28,300	27,603	26,941

Source: Coats Paton/Coats Viyella Annual Reports

Almost all of the major foreign operations were thread and yarn companies with the vertically integrated activities in fabrics and garment production based mainly in the UK. Most foreign operations, especially in LDCs, were joint ventures arising from government regulations in the host country which limit the extent of foreign equity participation.

Two broad themes can be identified in Coats Paton's strategy prior to its merger with Vantona, namely, the continued expansion of its non-European activities especially in South America and other LDCs and a strategy of product diversification in developed countries, with the establishment of its Precision Engineering Division (surgical needles, die-castings, mouldings etc.). The company was, however, highly dependent on its thread business and on its locations in developing countries. It was also notorious for its global wage and production cost calculations. In its comparative labour cost statistics, calculated on a monthly basis, the company formulated an index that incorporated such factors as exchange rates and social wages for different intensities of production.

The impressive growth record of Vantona Viyella, demonstrated in table 31, was based on a number of factors, namely, a strong brand name presence in household textiles (with a 25-30% market share) and shirts. The company was also a leading supplier of uniforms, woven fabrics (after Courtaulds), and carpets. Moreover, along with Courtaulds, it was one of the largest textile and clothing suppliers to Marks and Spencer.

Table 31: Sales, Trading and Pre-Tax Profits of Vantona Viyella 1981 to 1985, Coats Viyella 1985-87

(£ mn.)	Sales	Trading Profit	Pre-Tax Profits
1981	104	7.0	5.8
1982	356	13.7	0.8
1983	365	17.3	2.7
1984	607	41.5	42.4
1985	1710	165.0	151.0
1986	1750	188.0	182.0
1987	1795	214.0	213.0

Source: Buck 1986:33

The merger combined in one company Coats Patons' extensive overseas operations and distribution network and Vantona Viyella's diverse UK manufacturing base (cf. table 32). Vantona sold 85% of its products in the UK and manufactured most of them domestically whereas Coats made a narrow range of products but had an international distribution network. The group now has a presence in almost every area of textiles and clothing in the UK, complemented by very specialised textile activities overseas.

Table 33: The Merger of Vantona Viyella and Coats Paton: product and geographical distribution of sales, 1985.

Vantona Viyella (£ mn.)	UK	Overseas
Household Textiles	154	-
Clothing	183	-
Yarns/fabrics	101	13
Carpets	94	-
Hosiery/Knitting	122	-
Retail	-	-
Hand Knitting	-	-
Sewing Thread	-	-
Diecasting/misc.	-	-
Total	622	13

Coats Viyella (£ mn.)	UK	Europe	North America	South America	Australia	Rest of World
Household Tex.	154				-	-
Clothing	192				65	-
Yarns/fabrics	173				9	13
Carpets	94				-	-
Hosiery etc.	142				-	-
Retail	137				-	-
Hand Knitting	54	141	74	10	20	12
Sewing Thread	34	96	70	60	17	15
Diecasting etc.	42	14	67	5	-	-
Total	1022	251	211	75	111	40

Source: Buck 1986:33

Since the merger in 1986, restructuring of the company has involved the decentralisation of managerial control; the re-equipment of plants operating in growth sectors of the textile market; a shift to high value added products; an extension of the company's international activities and, in response to the recent intensification of competition in the industry, rationalisation of the company's UK and overseas workforce.

8.1.1 The Decentralisation of Managerial Control

Since the merger of the two companies, a three tier structure of management has been adopted. Each of the 250 subsidiaries is run by a managing director who reports directly to the head of the relevant division. The divisional board sits on the main board. Some of the former Coats subsidiaries have been broken up into smaller units to make them more easily manageable and every company has become an individual profit centre. For example, Jaeger is now divided into two retailing businesses and Coats and Clark, the US thread subsidiary, has been broken up into four profit centres. Management control is facilitated by the monitoring of the development of each subsidiary through weekly sales reports and monthly profit figures by a central management team.

8.1.2 Investment in New Technology

In 1987, Coats Viyella announced a £35 million capital investment programme at its two UK home furnishing divisions, Dorma and Vantona. Over the period 1987-88 £24 million has been spent re-equipping spinning, weaving and warehousing plants involved in the production and distribution of Dorma branded products. It is estimated that 'Dorma' accounts for 21% of the branded part of the £725 mn. household textile sector and a 25% share of retail sales of household textiles. Despite limited growth in the bedwear market, Dorma has increased its sales turnover from £1.5 million in 1970 to an estimated £100 million in 1987. At the Vantona division, £11 to £12 million has been spent on the reorganisation and expansion of a hemming and printing

plant. Although import penetration is quite low in household and other made up textiles - the ratio of imports to home demand in 1987 was 20% compared to a general industry average of 46% - investment in advanced manufacturing equipment, like open end spinning and air jet looms is intended to enable the company to compete with low cost imports from Portugal, Turkey and the Far East.

The Lancashire Howe Bridge spinning plant, which produces polyester/cotton yarn for home furnishings sold under the Dorma brand, was completely refurbished in 1987 at a cost of £6 million. Government financial assistance, in the form of a £1.5 million regional grant, contributed towards the cost of the re-equipment (Textile Month May 1988). Modern machinery has been installed at every stage of the production process. New carding machines are 80% faster than the machines they replaced and new drawframes are twice as fast. The open end spinning equipment is 4.5 times more productive than the old ring spinning machines. Consequently, there has been an 80% increase in productivity and a 33% rise in the volume of output produced at the plant. This has had dramatic consequences for the workforce at the plant. Before the re-equipment programme in 1987, a workforce of 437 people produced 88,000 kg of yarn a week whereas in 1988 274 employees produce 108,000 kg. a week. The high capital cost of the equipment has led to the extension of shift working at the plant to increase the rate of capacity utilisation. The mill now operates 168 hours a week for 50 weeks in the year compared to 120 hours a week for 46 weeks a year. According to the union involved in the

negotiations at the plant - the GMB Textile Division - the remaining workers received a 25% to 30% increase in pay in return for their acceptance of multi shift work patterns, including weekends, and the introduction of functional flexibility or 'multi-skilling'.

In 1988 the Dorma weaving plant was re-equipped with new air jet looms costing £6.5 million. The company invested £2 million in a colour printing system and £2.3 million in a hemming and stitching plant including a new materials handling system and distribution centre at its Vantona division. Investment in new technology has raised productivity and reduced unit production costs. The exception to this trend is the expansion of the hemming operation, where the demand for decorative detail in household furnishings has increased labour intensity. The hemming workforce has thus expanded by more than 700 to 1,320 over the past four years. So although the Home Furnishings Division has lost jobs in spinning and weaving, the total workforce has increased from 3,000 to 3,500. This is primarily because of the growth of the hemming operation and the creation of jobs in 'service' areas like design, distribution and marketing although these too are becoming increasingly computerised.

Most of the investment in spinning and weaving is directed at household textiles but the company is also considering re-equipping its apparel fabric capacity in both filament and staple yarn weaving as part of its overall strategy to engage in import substitution in basic fabrics through

investment in advanced technology. Northern Ireland appears to be a particularly favourable site for investment and expansion, which is probably connected to the financial assistance made available by the Industrial Development Board.

In 1987 a Coats Viyella subsidiary, Ambler, which manufactures acrylic yarn, invested £5 mn. in new production machinery and warehousing at its Northern Ireland plant. The existing workforce of 200 was increased by 100 and the plant now operates on a seven day rather than a five day shift pattern. Output has risen from 80 to 126 tonnes a week to meet increased demand. The investment was partially funded by the Northern Ireland Industrial Development Board. The company is also planning to spend £13.5 million on re-equipping and expanding its carpet plant at Donaghadee, Northern Ireland. Senior management predict that over 1988 to 1991 employment at the factory will be increased from the present level of 430 to around 550. The investment in new machinery is not though in this instance related to maximising production scale economies. The Managing Director of the Carpets Division stated that:

> 'the new equipment will provide the versatility we need, for example, to rapidly alter patterns or colours and to cope with short runs without adversely affecting the economy.'
> (Textile Month June 1988b:4).

The company has introduced automated systems and computerised planning in knitwear, hosiery and garments, with investment in electronic patterned equipment to facilitate the production of shorter runs and to reduce the time taken to supply customer orders. Capital investment has

also been directed overseas, particularly at the company's thread division. The investment is intended to raise productivity and to upgrade product quality. Mills in Spain and Portugal are to be modernised and expanded to serve a growing domestic and export market.

Investment in new technology in these instances is directed to reducing production costs by raising productivity and to introducing a degree of versatility and flexibility into the manufacturing process. But the company's capital investment programme is also directed at reducing production costs through the application of 'Just-In-Time' production systems, known as 'Quick Response' in the industry. This involves the application of technology to increasing the overall throughput of products, the reduction of stock levels and inventories in an attempt to match supply more closely to demand. The chief executive (Textile Horizons January 1988:5) has argued:

> '...Many will recognise the fashionable jargon of Quick Response..Not only in fabrics and garments, but also in thread and in many other parts of our group, this is the key priority. Coats Viyella is investing as much on computers or systems as on looms and spinning frames.'

The company has invested in new technology in the UK to counter the cost advantage of overseas competitors. Quick Response or the ability to supply retailers more speedily than overseas manufacturers has introduced time economies into many production processes. For example, over the past three years, Coats Viyella has halved the time taken to make a shirt at its Northern Ireland factories. The company intends to expand its branded shirt manufacturing in

Northern Ireland - in part subsidised by the Industrial Development Board - and is spending £1.8 mn. on a new production unit which will create 100 jobs (FT 14.2.89).

A new computerised distribution system is currently being developed by the company, called 'Interactive Sales Environment Systems'. This is intended to dramatically reduce the stock levels and warehousing presently used by both the manufacturer and its retailer-customers. Computer terminals will be placed in retail stores, linked to a central computer at Costa Viyella. Customers will be able to create a three dimensional image of the interiors they wish to furnish, carpet or redecorate from their own snapshots. A list of selected items will be sized and costed and ordered directly from the company through the retailer which uses the system. A number of retailers, such as Habitat and Marks and Spencer, have reacted favourably to the company's initiative which is part of an attempt:

> 'to leapfrog to emerging new technologies that will give us an edge and position us to continue to provide high quality goods and services competitively in a global market.' (Observer 22.11.87)

The company spent £25 mn. on research and development in 1987 and a similar amount in 1988. Expenditure on new machinery alone amounted to £100 mn. a year over the period 1986-88. The company believes that capital investment in its UK plants can transform the sector from a declining sunset industry besieged by low cost imports to a high technology, 'sunrise' industry. According to David Alliance, the company's chief executive:

> 'We as manufacturers have worked closely with a number of major retailers to develop systems which

reduce lead times and improve final customer service. This has enabled us to gain market share particularly against imported competition. The challenge is to maintain our advantage and this involves constant upgrading of plants and systems as well as the training and retraining of our workforce.'
(Annual Report 1987)

8.1.3 High value added production.

Another plank of the company's corporate strategy is to increase market share by emphasising brands through extensive marketing and advertising. As a result, in 1987, Coats Viyella increased its share of the branded hand knitting market at a time of depressed demand. Brands have also been strengthened in household textiles/home furnishings and carpets (Dorma, Vantona). In garments, the company has expanded its range of branded shirts and has become involved in the international licensing of the Viyella, Van Heusen and Allen Solly brands. In October 1988, the Van Heusen brand, which is the UK's largest branded shirt company, was extensively advertised in a television campaign costing £3 million. The company aims to treble its share of the retail shirt market (from 3% to 9%), currently growing at 20% a year, by emphasising the product's quality and exclusivity. This was the first television advertising campaign by a UK branded shirt manufacturer since the 1960s. New shirt brands have also been introduced and heavily marketed (43). The emphasis by manufacturers on branding, advertising, marketing, product design/quality are characteristic of a shift to high value added production. This has occurred in household textiles and carpets. According to a Barclays de Zoete Wedd report (1988:10), Coats Viyella:

'is all about the conversion of relatively low

added value sourced products into high added value, high technology, consumer goods.'

8.1.4 Coats Viyella: a fully vertically integrated manufacturer-retailer?

Coats Viyella is unique amongst UK textile and clothing companies in that it has a number of retail outlets, namely, the Jaeger, Country Casuals, and Viyella shops. Over 90% of the Jaeger womenswear range is UK sourced and produced in Coats Viyella's own plants. The company is currently investing in electronic point of sale equipment in some of its retail outlets as part of a general strategy of refurbishment. It aims in particular to expand the Jaeger outlets overseas and to double their number in the USA (currently 66). Jaeger contributes roughly £100 mn. in sales turnover and Country Casuals, £25 mn. Paradoxically, given the company's international orientation, Jaeger has withdrawn from the European market, namely Germany in 1986, and the shops have been sold to the British manufacturer-retailer, Laura Ashley. It appears that the company has no intention to move into retailing as extensively as some clothing manufacturers, like Benetton or Laura Ashley. The chief executive recently announced that the company was '...a manufacturer, not a retailer' (Knitting International February 1988a). Moreover, in March 1989, the company announced the sale of its Country Casual outlets as part of a general rationalisation and restructuring of the group's activities following a 36% fall in pre-tax profits (FT 11.3.89).

8.2. Coats Viyella's locational strategy

8.2.1 Foreign direct investment

The company is currently establishing a manufacturing base in Japan, in the form of a joint venture, to develop its sales of textiles in the country and to gain access to the Far Eastern market. A Dorma subsidiary was established in 1987 to co-ordinate the marketing, design and distribution of its products in France, as part of a process of introducing the company's brand names to an international market. It has also sought to expand overseas through the acquisition of a number of companies. It has recently acquired control of Youghal Carpets, Eire and increased its holding in Consoltex Canada (a fabric/clothing company). The 1987 Annual Report announced plans for expansion of textile production in the USA, Europe, and the Far East.

8.2.2 Overseas sourcing and rationalisation of production

The combination of a particularly unfavourable set of macro economic factors in 1987 and 1988, namely, the strengthening of the value of sterling against the US dollar and Far Eastern currencies, a surge in imports, and the impact of rising interest rates on consumer spending in the UK, has generated a deterioration in the competitiveness of UK textiles and has affected the strategy of Coats Viyella in particular. Coats Viyella is very vulnerable to currency fluctuations because of its international presence, notably, its international thread and handknitting interests. The effect of adverse exchange rates on the conversion of profits was estimated at £5 mn. in the half year to

September 1988. In response to declining profitability (it announced in March 1989 that pre-tax profits had fallen by 36% from £212.8 million to £135.2 million) the company has restructured and rationalised its activities.

It has rationalised a number of its UK and European textile plants. In 1988, it closed one of its largest UK knitwear factories, which produced low cost knitwear under contract to retailers, leading to the loss of 800 jobs. The poor performance of the factory was one of the chief contributors to the fall in interim pre-tax profits in September 1988. Since the beginning of 1988, the company's combined knitwear workforce of 5,500 has been cut by 1,500.

The company has sought to rationalise its handknitting interests, which has witnessed declining demand over the past two years. It has closed one American plant, shed labour in Australia and withdrawn from production in West Germany leading in total to 800 job losses. Production capacity in carpets has also been cut. Its four carpet plants have been reduced to two and a factory in Yorkshire may be closed to concentrate production at the newly re-equipped Northern Ireland plant. There is a possibility of further rationalisation in carpets and childrenswear. The restructuring is estimated to have cost £35.2 million and the company's total worldwide workforce has been reduced by 4,000 or 5% during the 1988 trading year, with 2,500 job losses in the UK.

It is no coincidence that the company has recently announced its intention to increase overseas sourcing of textiles and clothing. In 1988, it expanded its sourcing of clothing in Hong Kong by purchasing an export house and the company intends to establish similar operations in other countries. The Group is considering shipping knitting machinery to Turkey to make use of lower labour costs. This particular country may also be used as a future location for acrylic yarn spinning. Overseas sourcing from contractors in Hong Kong, Turkey, Portugal, Brazil and Malaysia, almost doubled in the first half of 1988 but it still amounted to only 10% of the value of UK sales, although it is predicted that the figure will eventually rise to 20% a year (FT 21.10.88). But this represents a modest involvement compared to Tootal which sources 55% of all its textile materials from international subcontractors. The extension of overseas sourcing indicates that strategies of high value added production do not completely outweigh the importance of price competitiveness which, in the short term, is crucially affected by currency movements.

The recent decline in Coats Viyella's profitability has not discouraged further expansion through acquisition and in May 1989, the company made a £395 mn. bid for Tootal. It looks likely that Tootal's shareholders will agree to the takeover bid in an attempt to prevent the Australian textile industrialist, Mr. Abraham Goldberg - who owns the Linter Group - from taking control of the company (FT 10.5.89). If the merger between Coats Viyella and Tootal goes ahead, the new company will possess an estimated 33% of the £1.5 bn.

international thread market and will become one of the world's largest multinational companies with a combined workforce of 85,000 people and sales turnover of £2.3 bn.

8.2.3 Summary

The company is, in effect, the result of a merger between two radically different firms. Coats Paton had extensive overseas manufacturing and distribution operations, and was highly dependent on its thread business. Prior to the merger, nearly two thirds of employees were located overseas. In contrast, Vantona Viyella sold the majority of its products in the UK - one of its major customers being Marks and Spencer - and manufactured most of them domestically. Hence, the Group now has a presence in almost every area of textiles and clothing production in the UK, complemented by specialised textile activities overseas (thread).

The company's initial objective was to implement an aggressive import substitution strategy in the UK based on investment in computerised production and distribution systems. The aim is to reduce unit production costs by raising productivity and increasing the overall throughput of products, whilst introducing a degree of productive flexibility and speed of response to retailer's requirements. High value added products, particularly branded textiles and clothing, are emphasised. This has involved several advertising and marketing initiatives in the UK designed to increase its share of growth markets (eg. household textiles) and branded garments, such as men's

shirts. Thus, the attempt is to maximise the price and non-price competitiveness of textiles and clothing products manufactured in the UK. While new technology has led to job losses, they have been balanced by the expansion of employment in 'service' areas, such as design, distribution, marketing and at manufacturing plants in product areas characterised by buoyant demand or low import penetration.

The company has been affected by unfavourable macro-economic factors, notably, a series of exchange rate fluctuations leading to an influx of low cost imports and a rise in UK interest rates which has depressed retail demand. Consequently, the profitability of the group has suffered, with pre-tax profits falling by 36% over the last trading year (1988-89). The response has been to rationalise employment and scrap plant in both the UK and overseas. The company has attempted to compete by increasing its sourcing of textiles and clothing from overseas. It also intends to use its overseas subsidiaries as a low cost distribution network for UK manufactured products. The company is setting up a global data base to facilitate the selection of the lowest cost commercial subcontractors and to open up new markets for its products. In response to falling profitability, the company has enhanced the internationalisation of its activities, notably, its circuit of commodity capital by sourcing some of the goods it sells from cheaper sites through the utilisation of commercial subcontracting. Unlike other companies (eg. Tootal) this does not, as yet, represent a move to withdraw in a major way from its primary textile interests in the UK or

overseas, or from manufacturing per se. It is open to speculation as to whether the increase in overseas sourcing represents a short term response to the exigencies of currency movements, or whether it is, in fact, a long term strategy.

8.3 Tootal

> 'Tootal doesn't actually make much of anything except profit any more, especially in this country.' (Guardian 4.10.88)

Tootal is the UK's third largest textile company in terms of the value of sales, and the world's second largest thread producer. It employs over 13,000 people, of whom 8,000 are based in the UK, 2,000 in North America and 2,000 in Asia. Tootal was created from the merger in 1968 of English Sewing Cotton (ESC) and the Calico Printers' Association. The ESC was itself an amalgamation of cotton spinning and sewing thread companies, the bulk of whose profits were derived from thread production in the US (American Thread). Calico Printers had a major share of UK fabric printing capacity, with garment, retailing and overseas textile interests. Tootal became a vertically integrated textile group with extensive intra group trading, although unlike Courtaulds it did not have fibre interests.

By the mid 1970s, Tootal had established factories in Australia, Canada, West Germany, Hong Kong, Philippines, India, Indonesia, South Africa, the USA, and Zaire. These were either wholly owned subsidiaries or, as in India and Indonesia, associated firms which were under the overall control of Tootal, though the company did not own a majority of the shares. Overseas factories were concentrated in thread production and geared to supplying local markets, not to exports. Production in the UK was geared to both domestic customers and export markets but as Elson (1986a, 1988a:20) makes clear in a detailed analysis of Tootal's corporate

strategy there was, at this stage, no 'global sourcing' of thread.

In 1973, the majority of Tootal's employees were in the UK, but only 48% of the profits for the financial year 1973/74 came from the UK; 52% came from overseas, with the bulk from the US and Australia, although a growing share was from South East Asia. Up to 1979, there was no dramatic rationalisation of UK employment but investment was concentrated abroad. According to Elson (1986a) factories in Asia were modernised and a new subsidiary opened in 1975 in Malaysia to make thread for the local market. This investment was not motivated by the search for cheap labour but was related to the rapid expansion of the market for thread in South East Asia due to the growth of the garment industry. This coincided with the desire of governments in South East Asia to promote indigenous production as part of an import substitution strategy.

During the period of the mid to late 1970s, there was a dramatic increase in overseas jobs controlled by Tootal (Elson 1986a). In 1978, Tootal acquired a 40% controlling interest in Bradmill Industries in Australia, which led to an increase in the number of overseas employees, including those of associates, between 1975/76 and 1979/80. The acquisition in 1980 of a 50% controlling interest in Da Gama, the largest domestic textile group in South Africa also took overseas employment, including associates up to over 29,000 in 1980/81.

Table 33: Tootal's employment, 1973-87

Year	UK	Overseas incl. associates	Overseas excl. associates
1973/74	20,001	n.a.	9,243
1975/76	19,507	14,600	8,795
1977/78	20,197	n.a.	9,224
1978/79	20,213	n.a.	9,239
1979/80	17,578	21,822	9,162
1980/81	14,580	29,374	8,804
1981/82	10,995	30,460	6,874
1982/83	8,878	25,580	6,887
1983/84	8,595	13,721	6,334
1984/85	7.966	n.a.	5,935
1985/86	7,700	n.a.	5,602
1986/87	7,907	n.a.	5,444
1987/88	8,647	n.a.	5,980

1. The textile year ends at the end of April.
2. Associates are companies where Tootal has a controlling interest but owns no more than 50% of shares.
3. The figure is an average for 1975 based on the Annual Report for 1980/81.

Source: Elson (1986a) and Annual Reports 1986 to 1988.

During the early 1980s recession, Tootal, like other UK textile companies, savagely rationalised its textile operations. The Group eliminated the vast majority of its commodity spinning, weaving and knitting interests in the UK. Most of the redundancies were at mills which manufactured industrial sewing thread but the company also withdrew from traditional grey cloth weaving and ceased cotton spinning in Lancashire. The UK spinning interests were concentrated at two modern mills located in Belper, Derbyshire and Lisnaskea, Northern Ireland. The intention was to supply yarns on a global basis with marketing co-ordinated from the UK (FT 30.9.80). During this period, the company began to source low cost undyed cloth from overseas subcontractors, to be printed and dyed by the company for customers based in Europe. The company also

withdrew completely from UK retailing. In 1979, the Van Allen womenswear retail chain was sold although the company subsequently acquired an American womenswear retail chain (which has since been sold). Currently, Tootal has only a small amount of production capacity in yarn spinning and some weaving capacity in household textiles.

During the early 1980s, the management structure of the company was reorganised into four divisions (cf. Elson 1988a:24): Thread, Textiles, Clothing and Non-Wovens, which were organised around product lines and spanned national boundaries. Redundancies and rationalisation, however, were not confined solely to the UK. Following a major contraction in the UK workforce (a reduction of over 9,000 between 1976/79 and 1981/82) came a contraction in the total overseas workforce (a reduction of nearly 5,000 between 1981/82 and 1982/83). The American subsidiary, the American Thread company, was re-equipped and the workforce reduced from 3,500 to 2,800. The Australian Bradmill and South African Da Gama operations were rationalised, with the workforce at Da Gama cut by 40% in two years. Eventually, Tootal sold its share in Bradmill to an Australian firm. By 1983/84, total overseas employment had in absolute terms been reduced to below its 1975 level. The aim was to release Tootal from exposure to highly import sensitive products (Banyard (1987:21).

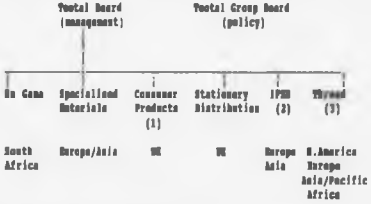
After Tootal narrowly fought off a bid from the Australian textile group, Entrad, in 1985, a new managing director and chief executive, Geoffrey Madrell, was appointed in January

1986, which in many ways marked a strategic watershed in the company's development. The company is now pursuing a strategy based on global marketing, sourcing and distribution. This has involved a radical internationalisation of the group's activities, together with investment in new technology in a number of the company's UK operations, and a diversification into non-textile products.

8.4 The strategy of the company since 1986

8.4.1 The restructuring of managerial control

Chart 1: Tootal's Management Structure/Product Divisions.



(1) Clothing/homewares
(2) International Fabric, Sourcing & Distribution
(3) Industrial and Consumer Thread

The current corporate strategy is to make Tootal a worldwide marketing organisation based on design, service and distribution skills (FT 28.8.87). This has involved a degree of managerial restructuring. Hitherto, the group had been divided into 50 operating companies but in September 1986, these were streamlined into ten 'strategic business units' all defined by activity. The board now has two tiers - a

group and a management board. The former includes executive directors who formulate strategy, budgets, management and financial systems. The management board is composed of the operational heads of the divisions. According to Madrell (Financial Weekly 30.10.86):

> 'For an international group, it is appropriate to pursue a decentralised system of management based on strategic business units, each basically self-sufficient. At the top level, you need the experience not just of developing strategy, but of putting it into effect...'

Tootal has also begun to diversify into the production of specialised materials, particularly nonwoven textiles. It has also branched out into non-textile products, such as kitchenware and homewares, with the acquisition of Cloverleaf in 1986 - a market leader and a major supplier to Marks and Spencer - and the distribution of office equipment and stationery in the UK with the recent acquisition of Sandhurst Marketing.

8.4.2 The reorganisation of thread production

The production of sewing thread still dominates Tootal's activities although its contribution to overall profits fell during the period 1986-87 (from 57% to 42%). But in the financial year 1987-88, thread contributed 39% of the value of total group sales and was Tootal's most profitable activity contributing 46% of the company's profits. Thread production is now orientated largely to industrial customers, notably garment manufacturers.

Table 14: Tootal's sales and profits 1983-88.

Sales	1984 £ mn.	%	1985 £ mn.	%	1986 £ mn.	%	1987 £ mn.	%	1988 £ mn.	%
Thread	198.1	51	224.7	53	167.3	43	164.4	40	194.6	39
Fabrics/ Clothing	157.8	41	171.8	40	181.5	47	194.5	48	221.4	44
Spec. Materials	30.4	8	17.1	4	38.8	10	44.2	11	58.8	12
Stationery Dist.	-	-	-	-	-	-	5.3	1	14.1	3
Others	0.9	-	0.5	-	-	-	-	-	1.3	-
Total	387.3		451.3		388.6		408.4		503.8	

Profits	1984 £ mn.	%	1985 £ mn.	%	1986 £ mn.	%	1987 £ mn.	%	1988 £ mn.	%
Thread	17.1	75	20.4	72	17.8	57	14.7	42	19.1	46
Fabrics/ Clothing	6.6	29	6.1	21	12.2	39	14.8	43	15.5	37
Spec. Materials	1.9	8	3.4	12	3.9	13	3.6	10	6.9	17
Stationery Dist.	-	-	-	-	-	-	0.3	1	2.6	5
Others	-3.9	-11	-1.6	-6	-2.4	-8	1.6	4	-2.8	-5
Total	31.7		28.3		31.5		35.0		41.5	

Source: Annual Reports 1983-88

The current emphasis of the company on marketing and distribution activities is connected to the dominance of its thread interests. The majority (70%) of the value added in industrial thread production is derived from dyeing, winding, packaging and distribution, rather than manufacture. Many garment manufacturers are prepared to pay a premium for quick delivery and the facility to obtain small quantities of fashion colours. The company is attempting to gain greater control over its thread distribution business especially in the USA, where 40% of output is distributed by wholesalers compared to an industry average of 20%. The aim is to increase the amount of thread sold directly by the company rather than through

distributors or wholesalers. According to G. Madrell:

> 'The more control you have over your market, the less risk you have. The textile industry has always concentrated on capacity and volume, rather than on controlling its market.' (Financial Weekly 30.10.86)

Tootal has extended its overseas presence in this area through two important acquisitions in developed economies. In December 1986, it purchased the thread interests of Standard-Coosa-Thatcher (SCT), a major American competitor. The company acquired SCT's warehouses, stocks, sales force and customer base but apart from one finishing plant, none of its production capacity. The acquisition raised Tootal's share of the American industrial thread market from 13% to 23%. The American Thread division intends to increase the overseas sourcing of low cost 'grey' yarn from Far Eastern suppliers to be dyed, finished and distributed in the USA. Tootal also acquired a Swedish company, Molnlycke, as a major addition to its European thread business. This company sources dyed thread from Tootal's UK plants for finishing in Sweden.

This emphasis on the finishing and distribution of thread has involved a major expansion of the overseas sourcing of textile products and raw materials from the Far East, particularly China. The company has purchased cotton fabric from China for over forty years but has now extended its sourcing arrangements to include low cost polyester yarn. Since 1982, the yarn has been transported to Tootal Thread in Hong Kong and South East Asia where it is dyed and finished. This has reduced Tootal's production costs and increased its share of the thread market. Moreover, in 1985,

the company set up a joint venture in the form of a new yarn plant at Canton, China with a production capacity of 2,000 tons per annum. The plant at present generates 10% of the group's yarn requirements. Again, the yarn is taken to Hong Kong where it is dyed and finished and the thread is then distributed to the following locations.

Table 35: distribution of thread on a global basis.

North America	40%
Hong Kong	30%
Australia	20%
Malaysia	10%

Source: Banyard 1987:26

Currently, Tootal is expanding its dyeing capacity in Hong Kong to process more yarn from the Chinese spinning plant. It is also considering the establishment of dyeing facilities in China and possibly a second joint venture. Eventually, the company intends to supply the large Chinese market with thread.

As part of the move to the higher value added components of the thread business, Tootal has established 'mini-mills'. These are small dyeing and finishing units situated close to thread customers. Stocks of low cost undyed thread are sourced from China to be dyed and finished at the mills, which also act as warehouses and distribution channels. The mini-mills involve around one fifth of the capital commitment of a normal mill and can be established very quickly. So far, Tootal has built or is converting existing plant to mini-mills in Costa Rica, West Germany, Australia and Sweden. The company is also interested in expanding its thread interests in the Mediterranean by setting up mills in

Turkey and Portugal.

Despite the expansion of the company's international interests in thread production involving strategic acquisitions and overseas sourcing, it has also established and equipped one of its UK plants with the latest technology. In late 1986, the company opened a £7 mn. computer controlled dye house outside Glasgow of which approximately £3 mn. to £3.5 mn. was provided by the government in the form of a regional development grant. This plant will be part of English Sewing (a manufacturer and distributor of sewing threads) which now has four manufacturing locations in the UK, consisting of two spinning mills (Northern Ireland and Derbyshire), one finishing mill and the Glasgow dyehouse.

8.4.3 Fabrics

The International Fabric Sourcing and Distribution Division imports cloth from low cost sources, typically the Far East, to be sold in both developed and developing countries. Tootal's three existing subsidiaries in IFSD are in Hong Kong, Holland and the UK. In Hong Kong, Tootal Label supplies both local garment makers and export markets, with quality fabrics sourced from Hong Kong, China and Taiwan. The Dutch subsidiary supplies shirt and sheeting fabric. It imports grey and finished cloth, which is finally distributed to manufacturers in Northern Europe. The manufacture of wax batiks, a high quality fabric used in African traditional costumes, is also extensively internationalised. The grey cloth is sourced from China and

shipped to the UK for wax printing and then distributed to customers in West Africa. This complex sourcing and distribution chain has been a lucrative source of profits. In 1982/83, the batik business generated pre-tax profits of £5.5 mn, over one third of the group total.

Tootal has recently signed an agreement with Mafatlal, the largest vertically integrated textile company in India. Mafatlal is investing some £40 mn. in new plant to produce high quality fabrics for export. The agreement gives Tootal the export rights to the majority of the output which will be sold in Europe and Asia. The company is also interested in establishing a UK joint venture with Chinese manufacturers for the production of cotton drill fabric which will be sold in Western Europe.

Currently, 55% of all textile materials are purchased by Tootal outside the UK. Tootal is withdrawing from primary textile production and has shifted to a strategy of international sourcing and distribution where added value is generated from dyeing, finishing, packaging and distribution. According to Madrell:

> 'For some products, we ship in cloth from India, send it to Germany for finishing, Mauritius for stitching, then back to sale in the UK'.
> (Sunday Times 9.10.88)

8.4.4 Clothing

Tootal has three major UK clothing subsidiaries. Slimma is a major supplier of clothing to Marks and Spencer with a small branded operation. Tootal Menswear manufactures branded shirts, knitwear, and ties and Trutex produces branded schoolwear. Slimma is the most profitable of Tootal's clothing operations. By 1984, it accounted for one third of sales turnover in clothing and employed over 2,000. In line with other Marks and Spencer's suppliers, the company has made substantial investments in new technology in production planning, design, pattern making and cutting.

Tootal has not relocated clothing production overseas (Elson 1988a) or introduced offshore processing arrangements. The company has, however, engaged in domestic subcontracting through its subsidiary, Raysil Gowns, which is one of the major 'middlemen' in the London clothing industry. This company supplies fashion dresses and separates under its own brand name or retail brand names, principally for the cheaper end of the clothing market to outlets such as C & A, British Home Stores, Tesco, Woolworths and mail order stores. Chisholm et al. (1986) estimated that the Raysil subsidiary subcontracts production to about 20 clothing manufacturers. This enables the company to tap sources of cheap female, ethnic minority labour in Britain without setting up factories overseas or developing offshore processing arrangements. According to the 1988 Annual Report, Tootal intends to develop the sourcing of fabrics and finished garments from Europe, the Mediterranean and the Far East to meet increased demand in the UK. Tootal Label

based in Hong Kong has sourced garments for the UK, Australia and New Zealand from locally-owned Far Eastern firms (Elson 1988a:26). The recent participation by Marks and Spencer in such arrangements may encourage Tootal to develop overseas sourcing of clothing more extensively than in the past. Its global thread business means that Tootal already has an advanced knowledge of the cheapest locations for garment manufacturing.

8.4.5 Summary

During the 1970s, Tootal had set up either wholly owned foreign subsidiaries or associated firms overseas, but these were concentrated in thread production and geared to supplying local markets, not to export. Moreover, up to 1979, there was no dramatic rationalisation of UK employment, although there was an expansion of investment and jobs overseas (cf. Elson 1986a, 1988a). The company responded to the recession by savage rationalisation, involving redundancies and scrapping of plant. The Group eliminated the vast majority of its primary textile interests in the UK. Over the period 1978-88, its UK workforce has been reduced by 58%, although job losses stabilised in 1985 and the workforce has since marginally increased. This is likely to be related to its policy of expanding its non-textile interests (stationery distribution etc.). The overseas workforce was also reduced, but by proportionately less than in the UK (ie. by 35%, excluding associates).

Tootal has indulged in a radical internationalisation of its operations in the 1980s, through a major enhancement of its overseas sourcing activities. The Group now does very little weaving or knitting and spins yarn mainly for its own thread operations. One quarter of all its yarn requirements is sourced from the joint venture in China. The company has sought to withdraw from the production of import sensitive goods, by shifting to the sourcing of low cost, often undyed yarn and fabrics from overseas, mainly LDCs. These are subsequently finished and distributed by the company. The aim is to become a global marketing and distribution organisation. In the main, the process of internationalisation has not occurred through the establishment of overseas manufacturing facilities, but rather as a result of the subcontracting of production to independently owned firms and the acquisition of firms operating in lower cost locations. The circuits of commodity and money rather than productive capital have been internationalised (Elson 1986a). This has been combined with the modernisation of a number of plants, although in the UK, the complete re-equipment of a dyeing plant was substantially subsidised by the state.

The company's strategy in garment manufacturing has involved both domestic and international subcontracting. But investment in new technology and the establishment of close connections with retailers, especially Marks and Spencer, are also crucial objectives. As yet, Tootal has not engaged in the fragmentation and relocation of garment manufacturing to LDCs. In short, the company's overall strategy -

representing a partial withdrawal from textile manufacturing and a shift to international sourcing, marketing and distribution - has involved substantial job losses, the majority of which have been in the UK but it has revitalised the company's profitability, with pre-tax profits having almost trebled since 1982 (cf. tables 36 and 37). Since September 1988, the company has been subject to intense takeover speculation. The Australian textile industrialist, Mr. Abraham Goldberg, has attempted to stage a merger between the Linter Group and Tootal by acquiring a 25% stake in the company. But in May 1989 this was countered by a bid from Coats Viyella which the Tootal Board recommended to its shareholders. If the intended merger is not prevented by a monopolies investigation, the combined companies will represent a major international force in the industry through its dominance of the global thread market. The new company will thus become a profoundly influential firm both globally and within the UK.

Table 36: Pre-tax Profits, £ mn, 1982-89.

1982	14.8
1983	14.9
1984	17.2
1985	22.9
1986	27.4
1987	30.2
1988	40.3
1989	42.3

Table 37: Profit Margins, 1984 and 1988

%	1983/84	1987/88
Thread:		
US Thread	6.9	11.2
UK and Europe	16.3	4.4
South East Asia	6.5	20.0
Africa/Australia	6.4	6.5
International Fabric Sourcing and Distribution:		
UK and Europe	9.3	13.3
Asia/Australia	6.9	9.0
Consumer Goods:		
Clothing (UK only)	1.9	3.3
Homewares	-	6.3
Specialised Materials	5.6	10.6
Stationery Dist.	-	5.7
Da Gama	3.7	22.1

Source: Buck, Adams and Fergusson 1988

8.5 Courtaulds

Courtaulds has been the subject of considerable research and media attention, with widely differing views being expressed about the nature of the company's restructuring since the mid 1970s. The following three references are typical of the diversity of opinions held about the company's strategy.

> 'The split within manufacturing capital can be seen clearly in industries such as textiles. On the one hand internationalised firms such as Courtaulds, with the world as their oyster, their degree of international mobility astonishingly high; on the other hand a host of medium and small domestic producers with backward technologies and somnolent managements.' (Massey 1986:46)

> 'Courtaulds is very much a British company.. it is not a multinational.' Lord F. Kearton. Chairman of Courtaulds 1962-1975 (Financial Times 16.11.73)

> 'It is difficult to describe the extent to which textiles is a world industry rather than a national one. There is no way in which any textile unit anywhere - however small, in any country in the world - can be really insulated from what is happening in the rest of the world.' Sir C. Hogg. Chairman of Courtaulds. 1980-. (Financial Weekly 16.5.80)

These statements raise a number of questions concerning Courtaulds' strategic behaviour which the following analysis seeks to address. To what extent does Courtaulds operate as a 'footloose', thoroughly globalised multinational? Is it principally a UK based textile manufacturing company with a number of overseas interests? Or has its integration into an internationalised industry determined, in part, its present predicament and corporate strategy?

8.5.1 The recessionary conditions of the mid 1970s.

The historical background to Courtaulds' evolution into one of the world's largest integrated fibre and textile companies was elaborated in chapter six. During the 1960s and early 1970s Courtaulds adopted a strategy of vertical

integration entailing acquisition of a large amount of capacity in textiles as well as expansion of fibre production. A high proportion of Courtaulds' synthetic fibres was used by its subsidiaries in spinning, weaving, knitting and hosiery.

This interdependant corporate structure based on a high degree of centralised managerial control had to contend with the increasingly volatile macro economic conditions of the 1970s. The post oil crisis recession led to a slackening of both world and domestic demand for textile products and the low dollar value rendered European textile and clothing goods uncompatitive against American and Far Eastern imports. Courtaulds was particularly vulnerable because of its heavy presence in fibres and primary textile production. In a recession, the first firms to destock or cancel orders are those nearest the point of end use (retailers/garment manufacturers]. As the destocking process works its way upstream, it manifests itself most strongly at the beginning of the production chain, notably fibre, yarn and fabric production. Thus, Courtaulds experienced rapid fluctuations in activity in these areas during 1974-76 and 1979-80. The company was vociferous in its support for stricter import controls. The Chairman, Sir A. Knight, argued that governments must recognise that the 'UK textile case needs special treatment' and that this 'must become an article of national industrial policy.' (FT 17.5.77).

Courtaulds policy of investing heavily in modern equipment to reduce unit production costs left it with much

underutilised plant in the mid 1970s recessionary period and a number of its new weaving plants never reached full capacity (44). Return on capital dwindled from 15.3% in 1974 to an average of 6.9% between 1975 and 1980, and profit margins shrank to an average 4.2% over the same period. Pre-tax profits were cut from £118 mn. to £46 mn. in 1975-76, and from £81 mn. to £54 mn. in 1977-78. In 1975, the paint subsidiary contributed nearly one half of the group's profit with 73% of its business overseas.

Table 38: Sales, capital expenditure and profits 1975-79.

£mn	1975	1976	1977	1978	1979	
Sales	1134	1166	1510	1576	1662	
Capital exp.	115	103	96	56	50	-£65mn.
Pre-tax Profits	118	46	81	54	64	-£54mn.

Source: Annual Reports 1976-80

The non textile businesses (paints, plastics etc.) were becoming more profitable than textiles which constituted 70% of total assets. By 1979, paint, cellophane and plastics gave a much higher return on investment than fibre, yarns and fabrics.

Table 39: Return on Capital Employed, 1979.

Year end 31.3.79	Return on Capital Employed %
Fibres and Yarns	8
Fabrics	6
Consumer Products	15
International Paint	27
British Cellophane	13
National Plastics	17
Misc.	-
	10

Source: Annual Report 1980

In the context of excess fibre capacity in Europe and increasing import penetration in textiles in Britain, Courtaulds introduced short time working into many of its textile operations and initiated a programme of closures and capacity cuts for which it became infamous. Modal weaving plants in the assisted areas, like the plant at Skelmersdale were unable to compete successfully against imports of basic commodity fabrics from the Far East, and the USA, and most of them were eventually closed (45).

The company's strategy of investment and re-equipment was also suspended. Knight argued 'We do not feel able in today's conditions to commit further large sums to new fixed investment and the level of our capital expenditure is being reduced.' (FT 17.5.77). Capital expenditure in the financial year 1978-79 amounted to £50.5 mn. which represented a halving of capital spending from its levels in 1975 and was in fact a low point in Courtaulds' capital expenditure programme. Moreover, at the end of 1978, Courtaulds faced the loss of the Temporary Employment Subsidy which had amounted to around £12 mn. in 1977. The company argued in the 1977-78 Annual Report that lower levels of capital expenditure reflected a cutback in investment in fibre and textiles in the expectation that existing plants must become profitable rather than be further enlarged.

The policy of vertical integration and centralised managerial control was substantially modified by the late 1970s. The company's fabric producers were able to buy a proportion of fibre supplies from outside sources and the

closure of the Spennymoor acrylic spinning plant brought internal group usage of synthetic fibres down to less than 30% (FT 28.8.79) (46). By the late 1970s, UK plants and products had to be financially self-sufficient (Investors Chronicle 2.6.78).

8.5.2. The 1980s

The recession of the early 1980s, the strengthening of sterling and high interest rates, coincided with the arrival of a new Chairman, (Sir) Christopher Hogg. His first statement to shareholders in May 1980 articulated a strategy:

> 'to concentrate resources on the best businesses and not squander them in areas of long term weakness; to achieve better returns on the textile side; and to expand the rest of the group'.

It was recognised that textiles was an industry particularly prone to low labour cost competition and excess capacity and a gradual diversification out of textiles was implied:

> 'Courtaulds has been developing its business outside the textile industry for many years. In 1960, the non-textile activities accounted for less than a fifth of the Group's profits...in 1979/80 they contributed two fifths of our profits, although they account for less than a quarter of the Group's sales and capital employed...we certainly see full priority continuing to be given to the development of our non-textile interests.'
> (Annual Report 1979-80:3)

The company's 1981 financial results illustrate the full impact of this adverse economic environment, with pre-tax profits having fallen from £68 mn. in 1980 to £5 mn. in 1981. De-stocking, equivalent to nearly 20% of final demand, caused a fall in home orders for the domestic textile industry and a rise of about 15% in the real exchange rate

for sterling encouraged imports. During 1980-81, Courtaulds' sales in the UK fell by 11% in value and 17% in volume and production fell by 22% to allow stocks to be reduced. Courtaulds, at this stage, was profoundly disenchanted by both the UK Government's economic policies and the MFA. On the former, it complained of Government inactivity whilst the industry shrank at an alarming rate and on the latter, it wanted a much tougher renewal, arguing:

> 'In its effectiveness as an insulator against the cold the present MFA is more of a thin blanket than a feather bed, as the continuing increase in import penetration and the low levels of wholesale price increases in mass market clothing testify.' (Annual Report 1981:2)

During the 1980s there have been profound changes in the character of the company. Since 1979, Courtaulds has reduced its UK workforce by more than a half. The largest proportionate fall occurred between 1980-81 when the company shed approximately 20,000 UK employees. The 1980-82 figure was 34,637. The trend since 1983 has been steadily downwards. Every year since 1983, an average 4% to 5% of its UK employees (2,000 to 3,000) have been shed, although there were no job losses recorded in the UK during the last financial year (1987-88) thus indicating temporary stabilisation (table 40, pg. 247). In 1988 and 1989, Courtaulds resumed rationalisation of its UK textile workforce in the light of an influx of imports due to the rise in the value of sterling and the depreciation of the dollar. Plant closures have occurred in spinning, knitwear, fabric, and clothing. It is estimated that since the start of the financial year in April 1988, 3,000 to 4,000 textile jobs have been shed in the UK, which represents the largest

annual reduction since 1983 (FT 4/25.3.89).

There has not been a dramatic build up of overseas employment, however, despite reductions in UK employment. As we see from table 41, employment overseas in 1983 was at almost one half its 1975 level. Although the figure has since risen to 22,500, this is still 8,500 less than 1975. Overseas employment has increased as a proportion of the total number of Courtaulds' employees because reductions in overseas employment have been proportionately less than reductions in UK employment (78,000 over the 1975-88 period). Nevertheless, in 1988 approximately two thirds of Courtaulds employees were still located in the UK.

There has been a shift in the balance of capital employed between the UK and overseas (cf. table 42). In 1979, 70% of capital was employed in the UK and 29% overseas (the majority in developed countries, particularly North America and Europe) but in 1988, 57% was employed in the UK and 43% overseas (the largest increase being in North America). In one year alone, (1980) the balance of capital employed as between the UK and overseas shifted from just under 2.5:1 to less than 2:1. This indicates that Courtaulds' activities have become increasingly internationalised during the 1980s at the same time that plant has been scrapped in the UK.

Although the company's textile activities are still large by international standards - the second largest European textile company in terms of the value of textile sales (£1.4 bn.) - the balance of Courtaulds' activities has moved away

from textiles towards its non-textile interests (cf. table 43). It was stated in the 1983-84 Annual Report that its non-textile businesses presented:

> 'the best prospects and opportunities for longer term growth..We are seeking..to build on these assets, whether by acquisition or internal development... Our interest in expanding in the USA continues....' (pg. 7).

In 1980, Courtaulds was still very much a textile company with 80% of capital employed in textiles. By 1988, this had been reduced to 49% of capital employed. This shift was not merely a short term response to the recession. The increase in the percentage of capital employed in non textile activities was greater between 1984-88 (19%) than 1980-84 (12%). This change in the emphasis of Courtaulds' interests is illustrated in the distribution of operating profit, sales turnover and employment between textiles and non textiles. For example, over the 1980s, employment in textiles fell from 82% of the total to 60%, due to a massive reduction in the former of 47,800 compared to an increase of 8,800 in its non-textile workforce. Capital employed and operating profit are roughly equally distributed between textiles and non-textiles and this is beginning to occur in sales turnover (textiles 57% and non textiles 43%).

Table 40: Courtaulds UK Labour Force 1979-88

Year	UK Employees	% annual change
1979	103,000	-
1980	97,000	(5.8)
1981	77,408	(20)
1982	62,363	(19)
1983	56,000	(10)
1984	53,000	(5.3)
1985	50,000	(5.6)
1986	48,000	(4)
1987	46,000	(4.2)
1988	46,000	-

Source: Annual Reports

Table 41: Employment overseas, UK, and worldwide.

	1975	1980	1983	1986	1988
1. Overseas employment	31,000	27,000	16,700	20,000	22,500
2. UK employment	124,000	97,000	56,300	48,000	46,000
3. Worldwide employment	155,000	124,000	73,000	68,000	68,500
4. Overseas employment as % of total employment	21%	22%	23%	29%	32%

Source: Annual Reports

Table 42: Geographical Location of Capital Employed 1979 and 1988

Year End 31 March

	1979		1988		Change
	£ mn.	%	£ mn.	%	£ mn.
UK	552	70	489	57	- 63
Rest of Europe	89	11	114	13	+ 25
North America	51	6	121	14	+ 70
Africa	54	7	82	10	+ 28
Rest of World	38	5	47	6	+ 9
Miscellaneous (a)	8	1	(1)	0	
Total (b)	792	100	852	100	+ 60

(a) elimination of inter-territorial sales
(b) comprises land, buildings, plant and equipment, stocks, debtors less creditors.

Source: Annual Reports 1979 and 1988

Table 43: Distribution of turnover, profit and capital employed between textiles and non textiles.

	1974	1980	1984	1987	1988
Turnover % of total					
Fibres and Textiles	80	79	71	60	57
Non Textiles	20	21	29	40	43
Operating Profit % of total					
Fibres and Textiles		61	74	59	51
Non Textiles		39	26	41	49
Capital Employed % of total					
Fibres and Textiles		80	68	50	49
Non Textiles		20	32	50	51
Employees '000					
Fibres and Textiles		89			41.2
Non Textiles		17			25.8
Other		3			1.5
Total		109			68.5

Source: Annual Reports

The increasing prominance of the company's non textile activities is intimately connected to Courtaulds' heightened international presence (47). The reclassification of its product divisions in 1984 into two main areas, a textiles group and a chemical and industrial products division was underpinned by the recognition that its textiles business was mainly UK based and oriented towards supplying the UK market although 'its international operations are growing.' In contrast, chemical and industrial products were sold to industrial customers and were 'international in scope' (Annual Report 1984-85). Moreover, the internationalisation of Courtaulds' activities over the 1980s is inextricably linked to the global expansion of its paint subsidiary.

Table 44: geographical location of overseas subsidiaries

Developed Countries		Developing Countries	
Europe	20	Africa	8
North America	9	South and Central America	3
Australasia	6	India/Far East	3
		Middle East	3
Total	35		17
Textiles & Fibres	13		2
Non Textiles	22 (12 in Paints)		15 (10 in Paints)

Source: Annual Report 1986-87

Of Courtaulds 52 overseas subsidiaries, 37 were in non textiles and 15 in textiles. But well over a third (22) of all foreign subsidiaries and significantly, a majority of those located in LDCs, belonged to just one of Courtaulds divisions ie. International Paint. The geographical location

of the capital employed in this one business shifted considerably over 1979-82. The proportion of the group's assets outside Western Europe rose from 40% to over 50% and in the Americas alone from less than a quarter to one third. Overall, the capital employed in paints has more than doubled whereas it has been reduced by about one third in fibres and textiles.

More recently, Courtaulds has engaged in a number of strategic investments, notably the acquisition of paint companies in the USA, Sweden, Italy and Spain. In LDCs, a new company was formed in Malaysia, and two new plants built in Taiwan and Thailand. The company also plans to extend its paint interests in the Pacific Basin. This spate of foreign direct investment which spans both LDCs and developed countries is primarily motivated by the intention to gain access to growth markets. This has been combined with the rationalisation of some of International Paint's European capacity during 1986-87 which was related to the company's general strategy of withdrawing from cyclical or declining product areas (eg. marine paint). The coatings division is being developed as a global business involving considerable foreign direct investment and capital expenditure.

The company has also expanded its Films and Packaging Division during 1987-89 by three American acquisitions in an attempt to reduce its reliance on commodity products prone to cyclical swings in demand (48), and to increase its access to markets, particularly America, through a programme of foreign direct investment. In April 1989, the Coatings

Division acquired a 10.5% stake in an American high technology polymer manufacturing company. This, again, was motivated by an attempt to enter a high technology, niche area. It appears likely that the recent spate of foreign direct investment will continue. It has been argued that:

> 'Tomorrow's Courtaulds will look more to the US and Europe and will probably have more of an emphasis on niche businesses'. (Financial Weekly 25.6.87)

The strategy of expansion through foreign acquisitions is not an attempt by the company to become a conglomerate. The aim is to strengthen Courtaulds' existing range of businesses. According to the Chairman, C. Hogg:

> 'We have deliberately avoided becoming a conglomerate. Each of our businesses is related to one or more of the others...' (Annual Report 1986-87:6)

The structure of managerial control has also changed in response to shifts in corporate strategy. In contrast to the 1960s, there is now a much greater deverticalisation and decentralisation of the company's operations. As Chandler demonstrates (1977) in his analysis of the multi-divisional corporation, a decentralised corporate structure enables senior executives to formulate overall corporate strategy without involvement in day to day, operational matters. During the 1960s and early 1970s, the vertical integration of the company was underpinned by centrally determined transfer prices for intergroup purchases (Financial Weekly 25.6.87) but this has been replaced by autonomous decision making by subsidiaries on purchases, sales and pricing. If a company wishes to use group resources they are charged at the market rate but in product groups which overlap (ie. textiles) strategies towards key customers, such as Marks

and Spencer, are co-ordinated.

But financial control is still regulated from the centre. During the early 1980s, Courtaulds instituted tight internal cash generation targets of 12% for each business which were supplemented by targets for return on capital and profitability. The Group is currently divided into 300 profit centres which report to 25 full reporting businesses which are in turn divided between the six product sectors. Each unit has its own chief executive and is responsible for its own balance sheet. If the unit consistently fails to meet its own financial targets, it then has to meet centrally determined targets. If a profit centre continues to make inadequate returns it is eventually closed. The 'autonomy' of individual businesses is thus constrained by centrally regulated financial targets. The aim is to maximise the benefits from internalisation of vertically linked production processes, but not to subsidise loss making parts of the business.

The company had succeeded in revitalising its profitability up until the 1988-89 trading year. Over 1979-88, the value of sales rose by £759 mn., pre-tax profits by £157 mn. and capital expenditure by £110.5 mn. (cf. table 45). The reorganisation of fibres and textiles has contributed to the overall increase in Courtaulds' profitability. Since the recession of the early 1980s, Courtaulds has improved its return on capital employed overall and in textiles (cf. table 46 and 47). In 1987, fibres had the highest return on capital employed of all sectors and the return on textiles

exceeded that of its paints, packaging and chemicals divisions, which reversed the trends of the early 1980s. The next section will therefore investigate in detail the reorganisation of Courtaulds' fibre and textile businesses so that shifts in the company's strategy in this sector can be revealed.

Table 45: Sales, profitability, etc. over 1975-88

	Sales	Pre-tax Profits	Profit Margin	Capital Exp.
	£mn.	£mn.	%	£mn.
1975	1134	118.2		114.7
1979	1662	64.0	5.2	50.5
1980	1819	68.1	4.9	73.6
1981	1710	5.1	1.7	67.5
1982	1789	51.1	3.9	70.1
1983	1905	63.6	4.3	67.2
1984	2038	118.0	6.3	81.8
1985	2152	128.0	6.2	126.3
1986	2173	143.0	6.9	117.7
1987	2262	201.0	9.1	150.7
1988	2421	221.0	8.9	161.0

Source: Annual Reports

Table 46: Return on Capital Employed 1979-84

ROCE %	1979	1980	1981	1982	1983	1984
Fibres and Yarns	8	10	-	11	15	31
Fabrics	6	6	-	4	5	14
Consumer Products	15	13	15	15	18	20
Paint	27	24	28	25	19	17
Cellophane	13	20	5	10	15	23
Plastics	37	39	20	10	24	21
Total	10	11	5	13	15	24

Source: Annual Reports 1979-84

Table 47: Return on Capital Employed 1984-88

ROCE %	1984	1985	1986	1987	1988
Fibres	29	22	31	53	41
Spinning	24	22	30	29	
Fabrics	14	17	18	18	
Clothing	21	23	23	25	
Textiles (total)	18	20	22	23	21
Woodpulp	40	28	19	42	42
Paint	17	17	18	16	21
Cellophane	23	17	10	packaging 19	23
Plastics	21	16	10	chemical & materials 20	18

A. In 1987 there was a major reorganisation of the product divisions. The Chemical and Materials division includes part of the old fibres business, cellophane and plastics. Packaging includes much of the cellophane business but also part of the plastics division. Hence, comparisons of performance over the 1980s are now very difficult.

Source: Annual Reports 1984-88

8.5.3 Fibres

Courtaulds began manufacturing fibres in 1904 with the production of rayon, a woodpulp based cellulosic fibre. Over the post war period, the company expanded into oil based synthetic fibres, notably acrylic manufactured under the brand name Courtelle in 1957, nylon (Celon) in 1964 and polyester (Lirelle) in 1971. Currently, Courtaulds is one of the world's ten largest synthetic fibre producers. These ten producers control about 6 mn. tons of synthetic fibre capacity, roughly 40 per cent of the world total, although their share has declined since the late 1970s with the development of capacity outside Western Europe, USA and Japan.

Table 48: World ranking of major synthetic fibre producers

	Fibre sales		Fibre capacity	
	Share of total (%)		Volume '000 tons	Share of world total(%)
	1979	1986/87	1986	1986
Du Pont (USA)	33	18	1,700	10.5
Celanese (USA)	58	48	820	5.1
Toray (Japan)	80	55	620	3.8
Hoechst (W.Germany)	7	10	540	3.3
Akzo (Netherlands)	33	22	470	2.9
Rhone Poulenc (France)	19	18	420	2.6
Formosa Plastics(Taiwan)..		..	400	2.5
ICI (UK)	9	7	380	2.4
Teijin (Japan)	73	68	355	2.2
Monsanto (USA)	17	12	350	2.2
Courtaulds (UK)	36	23	250	1.6

1. Hoechst acquired Celanese in 1987

Source: Anson and Simpson 1988:39

But Courtaulds present strategy in fibre production can only be understood in relation to the general restructuring of this particular sector. The oil price rises of the 1970s

brought a phase of long term capacity expansion in fibre production to an abrupt end. High raw material costs raised production costs and depressed fibre demand. Capacity utilisation of fibre plants fell from 92% in 1973 to 61% in 1975 (breakeven level is around 80%) and led to major losses for all producers, estimated at $732 mn. in 1975. Massive overcapacity and falling prices encouraged the EC to launch the 'Davignon initiative' in 1977, with the aim of an 'orderly reduction' (12%) of synthetic fibre capacity. Most manufacturers responded by concentrating on specific fibre types. A second agreement signed in 1982 aimed to achieve capacity reductions of an additional 500,000 tons.

The location of fibre production has shifted away from Western Europe and the USA to the LDCs and Eastern Europe. In 1970, 76% of world fibre production was concentrated in Western Europe, the USA, and Japan whereas in 1985 about 49% of production was located outside of the three main Western trading blocks. Whilst developed country production of fibres rose eleven fold over the period 1960-85, LDC output rose by a factor of 340. According to Textile Outlook International (November 1986a:46):

> 'The problem for Courtaulds and other producers in the industrialised countries, is that fibre production will increasingly be located nearer to the low cost, bulk textile producers in the developing countries as the latter's output of standard low cost fabrics increases.'

Cutbacks in West European capacity have been achieved although they have been unevenly distributed. The UK's synthetic fibre capacity fell by 51% (316,000 tons) over 1977-86 and West Germany lost 269,000 tons (26% of its capacity). But Italian producers cut their fibre capacity by

only 11% (66,000 tons) and Spain's rose by 48%. Western European capacity in most fibres is still too high which holds down utilisation rates and tends to keep prices low. Additionally, intense import competition in price sensitive commodity fibres has encouraged European fibre manufacturers to shift to the production of high value added specialty fibres (Davies 1987).

These developments have profoundly affected Courtaulds' corporate strategy. According to Management Today (May 1986:61):

> 'The logic underpinning the vast Courtaulds production machine of the optimistic 1960s was that scale would bring economies and that the surplus could be exported to a tame Third World...'.

Courtaulds, like other European producers, now concentrates on particular fibre types where it has a high market share. During the 1980s, the company abandoned UK production of nylon (although it is still being produced in its American plant) and polyester. It now specialises in acrylic fibres, and cellulosic products such as viscose rayon and acetate yarns. Its fibre plants are based solely in the UK and other developed countries.

Table 49: Courtaulds Fibres: geographical location of production and sources of supply.

Market	Acrylic	Viscose	Acetate
Western Europe	UK France Spain	UK France	UK
Rest of World	Exports from Europe	USA Canada	Exports from UK

Source: Textile Outlook International November 1986a:51

In acrylic fibres, Courtaulds emerged in the 1980s as the market leader in Western Europe. The acquisition of Cyanenka in 1984 boosted its market share (from under 20% to 27%). Currently, this subsidiary supplies 41% of the Spanish market for acrylic fibre (49) (Knitting International June 1987).

The company has promoted its acrylic fibre under the brand name 'Courtelle' as a high fashion, high value added product. This has involved the development of a dyeing service called Neochrome, which enables small batches (two to ten tons) to be processed at a cost normally associated with long runs (cf. Textile Outlook International November 1986a:53). Special orders can be offered with a lead time of three weeks. The 'Courtelle' brand name has been aggressively marketed through design awards and fashion shows (50).

Courtaulds also produces cellulosic fibres, such as viscose rayon and acetate. In contrast to synthetic fibres, there has been no state intervention to reduce capacity so rationalisation occurred much later, namely during the mid 1980s. Out of twelve producers in 1982, only six remained four years later and capacity had been reduced to 391,000 tons (ie. 63% of its 1982 level). Courtaulds, one of the two largest producers of viscose rayon, virtually halved its existing capacity by closing its plant at Greenfield, North Wales.

Table 50: West European viscose staple production, 1983 and 1986 '000 tons per annum

Company	Country	1983	1986
COURTAULDS	UK/FRANCE	130	70
Borregaard	Norway	32	-
Ence	Spain	33	-
Fabelta	Belgium	30	-
Hoechst	West Germany	60	60
Lensing	Austria	110	114
Rhone Poulenc	France	45	-
Sateri	Finland	65	-
Safa	Spain	16	-
Snia Fibre	Italy	35	-
Sniace	Spain	16	10
Svenska	Sweden	47	47
Total		619	319

Source: Davies 1987:10

Courtaulds has two viscose plants in Western Europe and two in North America. The company has dealt with the decline of demand for viscose fibre by developing its non textile end uses, particularly nonwovens, which now represent over half of Courtaulds' European viscose sales. It has withdrawn from low margin, commodity exports in competition from Eastern Europe and LDCs. A new wood pulp based fibre, tarmed 'Genesis' is also being developed. In the production of acetate fibre, which is primarily located in the UK, the company has attempted to reduce manufacturing costs, and improve product quality whilst emphasising colour variety and fast customer deliveries. There has also been a diversification into non textile end uses, such as cigarette tow and acetate flake.

Courtaulds has thus attempted to adapt its production capacity to a situation of low or zero growth in the fibre market by limiting its range of fibres to those where it has

a substantial market share. It now concentrates on specialty, branded fibres with a high value added content emphasising colour variety, and swift response to customer requirements (51). A key part of the strategy in cellulosic fibres has been to increase non textile end uses (eg. non wovens, cigarette tow, acetate flake). Overall, Courtaulds has substantially rationalised its production capacity, whilst consolidating its facilities in the UK, Western Europe and North America with no relocation of production abroad or overseas sourcing.

Table 51: Courtaulds fibres and textiles: profits profile.

£mn.	1983/84	1984/85	1985/86	1986/87	1987/88
Fibres	39	37	51	61	48
Textiles, incl.	37	47	55	63	66
Spinning	8	9	13	14	16
Fabrics	13	18	19	21	19
Clothing	16	20	23	28	31

Source: Annual Reports 1984-88

8.5.4 Textiles

During the 1980s, Courtaulds massively rationalised its textile and clothing production capacity. The Chairman, C. Hogg, argued that the company:

> '.....underestimated the problem of working our way into markets from the production end - we did not buy market share and back it up with production...We also underestimated the tremendous development in textile machinery which made it possible for less developed nations to use sophisticated machinery with widespread help from international banks and others lending huge sums throughout the 1970s.' (FT 28.11.80)

Despite such rationalisation, the company currently controls 25% of UK cotton spinning, 10% of UK apparel fabrics, 10% of the home furnishings market and it is the UK's largest clothing manufacturer with 5% of total production. According to Buck and Adams (1985) 45% of garments, 47% of fabrics and 8% of yarns are exported, mainly to the European Community but also to the USA and Japan. The company attempted to develop its branded products with over 30% of its branded sales in clothing. Production is no longer vertically integrated and intra group sales now amount to only 5% of the Group's turnover (Annual Report 1984-85). The overall strategy is:

> 'to build stronger positions in its key markets through constant improvement in product quality and specialisation, in perception of market trends and in service to the customer.'(pg. 14)

Long term strategy in textiles has three prongs (Annual Report 1986-87 and 1987-88). The Group intends to internationalise (including overseas sourcing) all aspects of its textiles business and to increase its presence in global markets whilst maintaining its position in the UK. It

aims to improve its portfolio of businesses by divestments and acquisitions, particularly in growth areas. It also intends to concentrate on market segments sensitive to on-time delivery, developing a quick and flexible response to fashion changes and high quality. The objective is to cater for small orders, short delivery times and tight inventories in a price competitive way.

The company has sought to withdraw from the production of textile and clothing products which compete with low cost imports and has shifted to higher value added products with an emphasis on colour coordination and fast customer service. During the mid 1980s, the company embarked on a programme of investment in new automated technology costing £120 million (52). According to the last company report, the objective of the investment was to achieve growth, raise productivity, and quality standards and thereby reduce unit costs (1987-88). The company has also introduced productivity auditing by a centrally based team which assists individual textile companies in raising productivity to comparable group and industry standards. According to one Courtaulds manager:

> 'The massive tide of pessimism at the turn of the decade has gone'...'The anti-industrial culture (recommending merchandising rather than manufacture as the way forward for British textiles) has disappeared.' (Management Today May 1986:60)

8.5.5 Spinning

Courtaulds Spinning accounts for 55% of the UK spinning industry and 26% of all yarn consumed in the UK (54% is imported and 20% is produced by UK competitors). About 8% of total sales are exported. Production is located mainly in the UK, although there are three spinning plants in France, operating under the Dalebart-Mallet Fils name. These plants manufacture acrylic yarn (ie. Courtelle) for the French knitwear industry and account for about 24% of yarn production (Buck and Adams 1985:72).

The Division was heavily rationalised during the early 1980s. In 1979, it produced 1,800 tonnes of yarn a week and employed 11,000 people at 42 factories, whereas in 1986, output was running at 1,100 tonnes, having fallen to a low point of 860 tonnes in the recession with just 4,000 workers at 28 sites. In one year alone (1980), 14 spinning mills were shut down due to a decline in orders from UK weavers, and growth in imports. Rationalisation and retrenchment appeared to stabilise by 1983, but a number of plant closures were announced in 1988 and 1989, including two acrylic yarn mills and five Lancashire cotton spinning mills, leading to the loss of 1350 jobs. Closures have been motivated by the depressed state of the East Midlands knitwear industry and a surge in imports of low cost yarns from Turkey, Mexico and the Far East (FT 4.5.88; 4/5.3.89). Courtaulds' spinning workforce will be reduced by around one third (to around 2650); the number of mills has fallen to 19 in the UK and 3 in France and overall spinning capacity will return to its recessionary level. Courtaulds' interim

results for the first half of the 1988-89 financial year indicates that spinning had been barely profitable. Courtaulds announced a 4% fall in pre-tax profits but this appears largely due to fluctuations in the exchange rate.

The rationalisation of spinning capacity reflects the withdrawal from price sensitive commodity yarns and a shift towards yarns embodying a higher value added content. The formation of a Specialty Yarns Group is intended to strengthen the company's position in the high value added fashion market by the production of a range of fancy yarns, including cashmere and lambswool knitwear yarns. According to the managing director, M. Parker:

> 'One of our major strengths is that we are active in markets that have a close proximity to our spinning operations...Customers want ever shorter lead times which places enormous demands on the spinner for a quick response. The area we particularly want to service is that where a manufacturer may use three or four different yarns in a single garment, all from different sources. We in Courtaulds Spinning are now in a position to supply all those yarn requirements from a single source.' (Knitting International March 1987a:96)

The emphasis is on close cooperation with customers to meet their changing yarn specifications so that production can be matched more accurately to demand. A number of mills are product dedicated and cater for well established, popular yarns, (eg. the company is the principal UK supplier of yarn used in cotton knit sweaters) whilst several plants switch between different yarns. The company has also shifted its yarns towards knitwear manufacturers rather than weavers. The link from yarn to knitted garment is direct whereas warp weaving takes a number of weeks to set up, and then needs to

be sold to a garment manufacturer or other end user.

During the mid 1980s, Courtaulds began a programme of investment in the latest open end spinning systems. These machines raise productivity and dramatically reduce unit costs of production but equally importantly, they improve yarn quality. Retailers like Marks and Spencer which purchase 20% of the Textile Group's sales are demanding better quality fabrics. Fabric manufacturers have responded by installing machines which require larger packages (or reels) of knot free yarn which only automatic control and splicing machinery can deliver. Capital expenditure, though, is not related to any increase in capacity and is therefore labour displacing. Two mills have been re-equipped with the latest open end spinning equipment, namely, Maple Mill in Oldham (1986) and Swan Lane Mill in Bolton (1988), costing respectively £4.5 mn. and £5 mn. The intention is to produce fashionable, high quality yarns which are price competitive.

8.5.6 Fabrics

The Fabrics sector has been the hardest hit by the recession of the 1980s. The return on capital employed dropped from 6% in 1980 to zero in 1981 when it made an £8mn. loss in operating profits. Overall, capital employed has fallen from £234 mn. in 1979 to £96 mn. in 1984 although since then it has risen to £119 mn. in 1987. The number of employees fell from 22,000 in 1980 to 9,000 in 1985, with 6,000 people being displaced in 1980-81 alone.

This division has more manufacturing units overseas than spinning but these are based mainly in developed countries. They include a French weaving operation and the subsidiary of Clutsom Penn International with plants in the USA, Canada, Germany, Spain and New Zealand, which manufacture various products, such as stretch fabrics used in corsetry and swimwear. Another subsidiary produces knitted fabrics in South Africa and an Irish operation produces towelling. Around 62% of fabrics are produced overseas compared with 14% of garments and 24% of yarns. Courtaulds also engages in international subcontracting (Hamill 1987:16) involving the sourcing of fabric from overseas manufacturers based in India, Indonesia and China. The rationalisation of weaving capacity in the UK (from 250 million to 85 million metres in the early part of the 1980s) is connected to the withdrawal by Courtaulds from the production of low cost, undyed fabric which is now sourced internationally and finished and dyed by the company. New techniques of dyeing enable customer requests for fabric designs in alternative colour schemes to be produced and delivered within one week, five to six times faster than previously (Management Today May 1986). Consequently, the Division's main competitors are now developed countries, particularly European manufacturers, who dominate the supply of printed and coloured fabrics.

The strategy of the fabric division was formulated in the 1980-81 annual report:

> '...it has proved extremely difficult to compete in internationally traded commodity businesses where cost is the sole basis of competitive advantage and the volatility of sterling exchange rates exacerbates the problem. The UK fabric businesses are therefore concentrating on those areas where they have advantages in customer service, better designs, improved product

> ranges, faster response to market changes and fabrics of higher specification and more consistent quality than their competitors.' (pg. 10).

Specialisation, and the shift to high value added fabrics emphasising design and colour have involved some re-equipment of strategically located 'niche' businesses. According to J. Nightingale, a director of the Group:

> 'Investment can only really be considered where the area of the market has some kind of protection such as unique quality, high technology, service to the customers, brand name...The apparel fabrics with the greatest degree of natural protection are the warp knits, weft knits and specialty fabrics, sometimes linked to brand names. Here closeness to the customer, speed of service, design and innovation really come into their own so that the foreign competitor finds it more difficult to compete...'
> (Textile Month January 1981:19)

Capital expenditure is aimed at improving productivity and adding value to products. A number of plants have been equipped with modern, shuttleless looms. The latest piece of investment has been at one of Ashton Brothers' factories, part of the Home Furnishings division. The Hyde plant, near Manchester, manufactures towelling sold under brand names and will be re-equipped with air jet looms at a cost of £3.5 mn. Production capacity will increase by over 30%. A new continuous dyeing and finishing plant was commissioned during 1987 and computer aided design machinery has been more extensively deployed (Textile Month July 1987). Courtaulds Prints purchased a US software design system which enables the process to be accomplished in a few hours and with the participation of the retail buyer who can change specifications immediately (Guardian 30.11.87). The Division is trying to collaborate and cooperate with retailers in an attempt to target fabrics specifically for

them. This is intended to eliminate inventories and shorten production and delivery times to about two to four weeks. A Director of Courtaulds Fabrics stated:

> 'We want the 1990s to be the decade of equal partnership between manufacturer and retailer. But a partnership where the textile industry through its innovation and market awareness seeks to retain more value added than it has done in the past.' (Textile Month July 1987:19)

A number of overseas companies have also been acquired. In 1986, United Elastic was acquired in the USA which manufactures high quality knitted fabrics. In 1987, Courtaulds acquired three lace manufacturers. It has a controlling interest in DLR Textiles (83.8% holding), one of the largest manufacturers of lace in France, which has joint ventures in Japan, Spain and the USA. In 1988, Courtaulds acquired Liberty Fabrics, one of the largest lace makers in the USA for £28 mn. According to M. Taylor, chairman of Courtaulds Textiles, the company intends to become a 'global force' in this area of fabric production. Moreover, in the UK, it has gained full control of Long Eaton Fabric, a knitting and lace business in which it already holds a controlling interest and acquired, Lace and Textiles, the second largest manufacturer of apparel lace in the country. This means Courtaulds will have about 20% of UK apparel lace production. The company has also continued to divest itself of 'peripheral' interests, notably the UK based, Samuel Courtauld polyester fabric business which was sold in February 1989 to Toray Industries of Japan (FT 21.2.89).

8.5.7 Clothing

Courtaulds is the UK's largest clothing manufacturer with 5% of total production and Marks and Spencer's leading supplier with about a 15% share. The division has two branches, contract clothing which carries retail brand names and is sold to department stores, mail order companies and Courtaulds branded clothing. Contract clothing produced £281 mn. value of sales during 1987-88 and branded clothing produced £126 mn.

The clothing group was less severely hit by the early 1980s recession than spinning and weaving. In 1980-81, fibres, yarns and fabrics all slumped into a loss or very low profit, whereas clothing maintained its profitability and was in fact the second most profitable sector of the whole of Courtaulds business after International Paint. One of the main factors in cushioning the clothing business from the impact of the recession was its relationship with the UK's major retailer, Marks and Spencer and its UK sourcing policy (53). Nevertheless, Courtaulds Clothing has rationalised its unprofitable operations, particularly in menswear and low priced, commodity knitwear.

Rationalisation continued from 1983 to 1986, with closures of factories in the Meridian Group (contract knitwear), Gossard group (branded underwear), and a cutback in capacity in childrenswear. This was accelerated in 1988 with the closure of two children's clothing factories on Merseyside leading to the loss of 540 jobs. Part of the production will be transferred to factories in the East Midlands with

remaining requirements sourced from the Far East (FT 12.11.88). Rationalisation resumed in 1989, with 384 job losses at three East Midlands clothing factories involved in the production of sportswear, underwear and lingerie. A branded knitwear factory in Scotland has also shed 80 jobs. The reduction in employment has been attributed by the company to intensified import competition fuelled by the rise in the value of the pound and depressed demand. Overall, the number of employees in the clothing division has fallen from 32,000 in 1980 to 23,400 in 1986, with around 1,000 jobs shed in 1988-89.

During the early 1980s, there were discernible trends towards greater internationalisation. According to the 1981 Annual Report (pg. 14):

> 'The Group continued to develop its international connections in purchasing, manufacturing and selling and these will be improved and extended in the coming years.'

Two clothing subsidiaries operate in South Africa under the Gossard brand name producing knitted fabrics but Courtaulds also initiated offshore processing arrangements in a number of countries when sterling was strong (late 1979 to early 1981). In 1981, a joint manufacturing operation was established in Portugal to produce underwear, leisurewear and knitwear for the lower priced end of the European market. A stitching unit was also established in Morocco. The Meridian contract knitwear and underwear factories in Nottingham produce knitted fabric for these plants which make it up and ship it back to the UK for finishing, packing and distribution. In the same year, a Gossard plant was established in Tunisia to supply the German market and an

underwear factory has also been built in Morocco.

According to Hogg, the Chairman (Knitting International September 1984:69):

> 'overseas investment will be a crucial part of the portfolio of a well balanced international manufacturing company...as far as our particular operations are concerned, first of all, I would like to say it's de minimis. Something like 2% of our garment production capacity is overseas and we are just not able to switch more overseas at short notice even if we wanted to...But...if you're uncompetitive in, say, garment manufacture because you can't cope with imports, then you have a number of things open to you one of which...is manufacturing those garments overseas.'
>
> 'That is much better,...than just closing the garment company in the UK...because if you manufacture overseas and you retain a marketing and design service organisation here you provide jobs in at least that part of the company instead of not providing jobs at all.'

Some products are now sourced from overseas subcontractors, although not necessarily from LDCs. Courtaulds Hosiery began sourcing tights from independent subcontractors in Italy in the early 1980s to supply the cheap end of the market. Childrens' clothing is also sourced from overseas suppliers, mainly in the Far East. But Courtaulds has not developed international sourcing as aggressively or as extensively as Tootal, neither has it embarked on a major relocation of clothing production overseas either by foreign direct investment or offshore assembly. Clearly, the joint ventures in Portugal, Morocco, and Tunisia enable Courtaulds to tap cheaper supplies of labour in the Southern European and North African periphery but contrary to Gilhespy (1986:209), such arrangements do not (as yet) constitute a major part of Courtaulds' corporate strategy in this sector and UK job

losses over the 1980s cannot be directly attributed to any shift in production overseas. The only broadly based overseas textile grouping, Courtaulds Hilton based in Australia was sold (to Entrad) in 1984. In the 1981-82 Company Report it was stated that investigations into overseas manufacturing operations confirmed that productivity in the group's UK plants was generally well above the level in LDCs (pg. 15). The return on capital employed in its overseas clothing operations was dramatically lower than UK plants over the period 1982-84 (table 52). Moreover, as already indicated, the Portuguese and Moroccan joint ventures have not been judged particularly profitable by Courtaulds' standards (Annual Reports 1983-84:18; 1984-85:17).

Table 52: Return on Capital Employed %, Consumer Products 1981-84

	1981	1982	1983	1984
UK	13	15	19	22
Overseas	22	10	8	0
Total	14	15	18	20

Source: Annual Report 1983-84:19

The modest expansion of its clothing interests in the mid 1980s has primarily occurred in the UK through acquisition of businesses in branded clothing or those operating in 'growth' markets. In 1986, the company acquired the underwear manufacturer 'Berlei'. It also bought the rights to the Dunlop, Slazenger and Carlton brands to extend its presence in the sportswear market. Colledge Hosiery was acquired in 1985 to strengthen its Wolsey brand and the sock division of the UK based company, Corah was purchased in

1988 to double the size of the company's sock business (FT 31.8.88).

Courtaulds' strategy to enhance its profitability in this sector is multi-dimensional. A central concern of the company is the expansion of its branded clothing, which in 1985 only accounted for 12% of sales (Buck and Adams 1985:52). Existing brands have been more aggressively marketed and advertised during the mid 1980s. In 1987, the Gossard brand was advertised in a £150,000 mn. campaign in women's magazines and Lyle and Scott knitwear was advertised for the first time on television.

In terms of the company's manufacturing strategy, investment in information and production technology has been an important aspect of its operations in the UK. Collaboration began in 1984 with GEC and Pfaff (a German sewing machine manufacturer) to automate garment assembly which was funded under the EC BRITE programme. More generally, Courtaulds has invested in CAD/CAM, electronic knitting and dyeing machinery, and automated handling systems. The objectives of investment in production and information technology are various, including the shortening of lead times, improving the flexibility and speed of response to customer requirements, raising productivity and quality standards, and minimising inventories. The common thread is the reduction of production costs through mechanisms which resemble 'Just In Time' production and quality control systems.

As clothing companies generally cannot utilise technology to maximise scale economies on long production runs, information technology can be used to reduce costs by raising throughput. A number of Courtaulds clothing subsidiaries have invested in an information technology system entitled 'Production Planning Control System' (PPCS) to improve stock control and minimise inventories. It has been deployed in about fifteen contract clothing companies which tend to operate in product markets characterised by intense import competition. The system keeps track of individual orders by identifying style, colour, size of garment required and monitors the progress of orders through the production process. It also tracks the flow of raw materials checking whether supplies have arrived on schedule and whether the quantity and quality of supplies match the original specification.

The system was initially installed in 1986 at Stuart Broughton, a contract nightwear company and has since been extended to other contract clothing companies in a £1.5 mn. investment programme. At Broughton's the system was particularly successful in identifying late suppliers. It was discovered that only about a tenth of its deliveries arrived on schedule and only one third came within five days of the agreed delivery date. This engendered production bottlenecks which raised costs because many employees had to work overtime. Now, one third of supplies arrive on time and three quarters are delivered within five days of the delivery date. Moreover, although the number of styles in Broughton's range has quadrupled since 1985, the company's

sales have risen by 50%, the level of substandard merchandise has been cut to 1% and raw material stocks by 30%. Courtaulds intends that such technology will form part of an integrated manufacturing system beginning with a designer creating a style on CAD technology, which will enable them to respond to a situation where:

> '...our customers will want to know exactly when we put fabric on the cutting table so that they can change the size or style of the garment.' (FT 18.11.88)

Another Courtaulds subsidiary (a branded underwear manufacturer) has attempted to reduce costs through the computerisation of handling systems and a new quality control system (FT 28.4.88). Productivity rose by 15% with the introduction of computer tagged trolleys which move garment pieces between machines. A statistical quality control system has been phased in whereby a controlled sample of the work of each machinist is taken every two hours. If the sample fails the quality examination the whole batch is returned to the worker who has to recheck every item. During the rechecking period, the machinist loses production money. The progress of each individual machinist and each line of machinists is now closely monitored and notices proclaiming 'Get it right first time' are posted around the factory and on the trolleys of machinists who fail quality targets. The company estimates that reject rates have been reduced from 3.9% to 2% with fewer customer returns. Moreover, the product price has not risen since 1985 when costs were 30% higher than the company's Portuguese competitors.

Other companies have introduced mechanisms which resemble quality circles and briefing groups. Courtaulds Jersey, which produces mainly cotton jersey for leisurewear, has set up 'corrective action teams' to raise quality standards and customer service, particularly as Marks and Spencer takes nearly 50% of its output. Courtaulds Jersey now expects no more than one fault in 25 metres of cloth compared to a Marks and Spencer's quality standard of one fault in 10 metres (FT 28.4.88).

8.5.8 Summary

Until the early 1980s, Courtaulds was primarily a UK based fibres and textile manufacturing company with a number of overseas interests. Although the company had engaged in rationalisation of its textile activities, the scrapping of plant, and cutbacks in investment in this area, the majority of jobs and capital employed were based in the UK, and in fibres and textiles. The character of the company has changed during the 1980s, particularly since it suffered unprecedented reductions in profitability and output in the early 1980s. Although the company's textile activities are still large by international standards, Courtaulds has reoriented the balance of its activities away from UK based textile production, and towards the overseas expansion of its non textile interests, notably its paint subsidiary. This has occurred through foreign direct investment in both developed and developing countries, and is motivated by the need to gain access to foreign markets.

In fibres and textiles, Courtaulds has attempted to respond to a situation of slow or zero growth in a number of ways. The company has narrowed its range of fibres to those where it has a substantial market share. It now concentrates on specialty, branded fibres with a high value added, emphasising non-price factors, such as high quality, colour variety, and a swift response to customer requirements. Overall, in the absence of any form of protectionism, production capacity has been massively rationalised, with the consolidation of its facilities in the UK, Western Europe and North America. There has been no evidence of any form of enhanced internationalisation of its activities, with no relocation of production abroad or participation in overseas sourcing.

Production capacity in textiles has also been rationalised, particularly in spinning and fabrics, involving the scrapping of plant in the UK, and massive job losses. Nevertheless, the company still has an extensive presence in most areas of UK textiles and clothing, and has implemented strategies to enhance its profitability in the UK. Common themes characterise its strategy in spinning, weaving and garment manufacture. Firstly, the company has attempted to withdraw from import sensitive products, such as the production of grey, undyed fabric, commodity yarns, low cost knitwear and childrenswear, and has sought to shift production to high value added areas, and products sensitive to non-price competition (ie. service, delivery to customer, high quality, flexibility to fashion changes). Thus, it has strengthened its production of specialty yarns, the design,

dyeing and finishing of fabrics, the quality and design of garments, and extended its range of branded clothing. This has been underpinned by an investment programme in new technology for the period 1986-89. The general emphasis is on raising productivity, reducing unit production costs, and enhancing quality standards. Investment in information and production technology has also been orientated to shortening lead times, increasing the speed of response to major customers, improving stock control and minimising inventories. The common thread, here, is the reduction of production costs and the shortening of the time taken by the whole cycle of production and distribution through mechanisms which resemble 'just-in-time' production and quality control systems. The objective is to match supply more closely with demand, and to improve the overall coordination of production and sales.

In contrast to Tootal, Courtaulds has not radically internationalised its textile and clothing activities. Moreover, the majority of the company's overseas subsidiaries in spinning, fabrics, and clothing tend to be located in developed rather than developing countries, with the clear intention of gaining access to markets. Its most recent acquisitions (in apparel lace and branded clothing) have been in the UK and other developed countries. The company has engaged in some overseas sourcing of both fabrics and clothing, mainly of low cost, undyed fabric from India and China to be finished and dyed by the company; children's clothing from the Far East and hosiery from Italy, but as yet these constitute only a small part of its

textile and clothing requirements. A number of joint ventures were set up in Southern Europe and North Africa in the early 1980s but the Portuguese and Moroccan operations have not been judged particularly profitable by Courtaulds' standards (Annual Reports 1983-84:18; 1984-85:17). Moreover, the return on capital employed in its overseas clothing operations was dramatically lower than UK plants over the period 1982-84. The strategy pursued in textiles and clothing therefore does not appear to be synonymous with a massive retreat or withdrawal from textile/garment manufacturing and its replacement by the activities of 'sourcing' and 'distribution' on a global basis. Nevertheless, there has been a clear shift in emphasis away from UK textiles and clothing production over the 1980s towards the international expansion of the company's non-textile interests.

8.6 Textile Multinationals: in retreat from the UK?

The major response of UK textile MNCs to a combination of heightened competitive pressures and deteriorating profitability has been a massive rationalisation of their UK textile activities, involving the scrapping of plant and jobs on an unprecedented scale. The most recent evidence indicates that this process of rationalisation and scrapping has not been halted. Has this been accompanied by a radical internationalisation of textile production?

It appears that there has not been a dramatic or sustained build up of overseas employment during the 1980s for any of these MNCs. Massey's (1986) characterisation of UK textile MNCs as 'footloose' with the world economy as the passive object of their extended geographical ambitions is therefore a crude estimation of the respective strategies of these companies. Tootal and Courtaulds have both rationalised overseas employment, although by proportionately less than in the UK. The analysis points up important differences between MNCs, and the emphasis placed by individual corporations on the balance between their UK and overseas activities, and particular forms of internationalisation. Tootal has been most active in internationalising its textile and clothing operations in the 1980s, through a major enhancement of its overseas sourcing activities. The establishment of overseas manufacturing facilities has been eschewed in favour of the subcontracting of production to independently owned firms and the acquisition of firms operating in lower cost locations. The company's overall strategy represents a partial withdrawal from textile

manufacturing, particularly in the UK, and a shift to international sourcing, marketing and distribution.

Coats Viyella's strategy indicated a commitment to textile and clothing production, and the modernisation of its UK facilities through investment in computerised production and distribution systems. But profitability decline due to currency fluctuations and depressed demand has led to employment loss and plant scrapping in both the UK and overseas. More importantly, the company has augmented its sourcing of textiles and clothing from foreign firms. But it is open to speculation as to whether the increase in international subcontracting represents a short term response to the exigencies of currency movements, or a relatively permanent strategy. Courtaulds has an overseas presence in textile and clothing production but the majority of foreign subsidiaries tend to be located in developed rather than developing countries.

Courtaulds has not sought to augment its textile and clothing activities through extensive participation in overseas sourcing arrangements. The company has set up offshore processing arrangements in a number of lower cost locations but these operations constitute only a small part of Courtaulds' textile and clothing requirements. But there has been a clear shift in emphasis away from UK textiles and clothing production over the 1980s towards the international expansion of the company's non-textile interests.

Despite the rationalisation of their domestic productive base, both Coats Viyella and Courtaulds still have an extensive presence in textiles and clothing in the UK. Since the recession of the early 1980s, both companies have attempted to modernise production through new systems of work organisation, and the deployment of computerised technologies. They have sought to maximise their competitive advantage with UK clothing retailers through the implementation of 'just-in-time' inventory and stock control systems. This has involved the application of technology to increasing the overall throughput of products in an attempt to match supply more closely to demand. Competition based on non-price factors has been emphasised, particularly the quality and design of products, and the advertising and marketing of branded textile and clothing goods. In short, Courtaulds, Coats Viyella, and - on a much smaller scale - Tootal, have attempted to transform the circuit of industrial capital within the UK, through strengthening their ties with dominant and powerful retailers.

The nature of the relationship between the three large textile groupings and clothing retailers is significant because manufacturing MNCs in the UK context have little control over the distribution of their products. This fact would not be so important if the structure of retailing was more fragmented, but large UK retailers possess sufficient scale to participate extensively in the international sourcing and purchasing of products. Thus, competitive strategies which aim to emphasise geographical proximity to UK distribution outlets are at best dependent on the UK

sourcing decisions of Marks and Spencer, and recent evidence indicates that this company is substantially reorientating its purchasing policy towards international producers. The shift by textile multinationals to high value added production and the modernisation of their UK productive base has occurred too unevenly and partially to stem the industry's decline at the aggregate level.

The analysis has concentrated on the strategies of the leading producers, the structure of inter-industry competition, and the responses of the state to the industry's problems. Whilst these forces have shaped the development of British textiles in crucial and complex ways, industrial change also occurs at a more disaggregated level - notably, at the level of the individual workplace - and is thus mediated by the collective responses and strategies of workers, and their trade unions. The next chapter focuses on these key issues through an analysis of the reorganisation of the production process at two plants. The aim is to examine the concrete problems posed by the industry's decline and its present restructuring for workers, and their trade unions.

Chapter Nine: The Recomposition of Capital-Labour Relations

Courtaulds has eliminated and scrapped vast amounts of textile plant located in the UK during the 1980s. The company's attempt to maintain the profitability of its remaining textile activities has involved radical technical and organisational change at particular plants. This chapter examines the reorganisation process at two plants concerned with the production of hosiery, and the spinning of cotton yarn. It shows that the reorganisation took different forms, but common elements can be discerned.

The modernisation of both plants has involved the scrapping of existing technology and gradual or complete re-equipment through the introduction of computerised production machinery. In cotton spinning, the principal function of the technology is not to displace high waged labour, as wages are low at the mill, but to maximise scale economies from long run production whilst enhancing product quality. In hosiery, management are attempting to raise productivity and reduce unit production costs whilst integrating formerly separate work processes, but the introduction of new machinery also facilitates other objectives, such as greater productive flexibility. Attempts have been made to raise throughput, which has involved the reorganisation of systems of inventory and stock control.

The dynamic process of industrial change is mediated in various ways by the responses of workers and trade unions. The analysis of the industry's long term decline indicates that fragmented and weak trade unions have been part of a

set of crucial impediments operating against the transformation of the sector to a modernised, highly productive industry.

Trade unions and workers have facilitated the modernisation of the production process at both plants. The restructuring of pay and performance levels, and measures to raise throughput have involved an intensification of labour which, combined with the deployment of more automated technology, will boost productivity levels and displace labour. The discussion therefore highlights the manner in which trade unions as a social agency mediate the process of industrial change. A number of important questions are raised concerning the organisation of trade unions in the industry, and their ability to confront multinational corporations who are actively reshaping the structure of production and employment within a national and international context.

9.1 Courtaulds Hosiery

The hosiery industry is dominated by fifteen large companies. The most important are Pretty Polly, which had 25% of total production capacity in 1986, followed by Courtaulds with 15%, Charnos with 7.5% and Nottingham manufacturing, now part of Coats Viyella with 7%. The industry is characterised by a relatively low level of import penetration. Companies which have been most successful in retaining market share are the larger manufacturers who have established strong links with retailers. In 1985, total imports of tights by volume represented 32% of UK sales but approximately one third of these came from the Pretty Polly plant in Eire. Excluding these, imports represented around 20% of UK sales by volume.

Hosiery has previously been a price sensitive, commodity product and manufacturers added very little value in the form of design, pattern variation, colour, advertising or marketing. Pretty Polly is the only hosiery company to have advertised consistently since the early 1970s. Manufacturers tended to maximise scale economies from long runs of an essentially standardised product. This is still the objective of much of the capital investment in the sector. For example, over the period 1983-89, the number of operations involved in the production of commodity tights at Pretty Polly's plant in Eire has been reduced from eight to five and will eventually number three. The time taken to knit the leg of a tight has been reduced from 60 to 45 seconds during the same period. Most manufacturers have developed their own brand names as a means of

differentiating an essentially standardised product. The use of brand names also generates a higher profit margin than hosiery sold under the brand names of retailers. Nevertheless, a considerable proportion of unbranded hosiery is still sold under contract to retailers.

Important changes have occurred in the pattern of hosiery sales which directly impinge on manufacturer's competitive strategies. Since 1981, the share of department stores in hosiery sales has fallen compared to a 15% increase in the share of the supermarket/grocery sector. Grocery stores (eg. Asda, Tesco, Sainsbury) are now the main outlet for hosiery sales with 37.5% of all tights sold whilst mixed retail stores account for 25.5%. In the grocery sector, Pretty Polly is the leading branded producer with a 37% market share. Courtaulds 'Kayser' brand is third with a 13% share after retail brands (Marketing 22.9.88). Tights sold in supermarket stores have a minimal amount of style differentiation. Pretty Polly manufactures a range of five styles made from the same yarn which only differ in terms of stitch changes.

Despite the growth in the share of supermarkets in the volume of hosiery sales, the emergence of the niche retail outlet Sock Shop in 1981 galvanised multiple stores like Marks and Spencer and British Home Stores into improving the range and the design of hosiery. There has been a strong trend towards single coloured or multi-coloured tights and stockings and hosiery bearing a variety of patterned motifs and different textured yarns. Hence, although department

stores account for only 16% of the hosiery market in sales volume, the shift to higher value added hosiery means that they account for a much higher percentage of the value of sales (ie. 29%).

During the 1980s, the competitive struggle between retailers has transformed hosiery into a fashionable, high value added product. According to a former sales director of Courtaulds Hosiery (Knitting International May 1987b:55):

> 'No longer is hosiery just a leg covering: it is a very important fashion accessory. Colour, pattern, new yarns, sophisticated machinery, both for knitting and finishing all play their part, but above all the research and development of new styles, plus the marketing of them make for an exciting package which has breathed new life into our industry.'

This has meshed with technological developments, such as the introduction of computerised knitting and dyeing machinery which facilitates greater variety in patterns and colour. Nevertheless, hosiery manufacturers are not passive agents in their relationship with retailers. During the 1980s, they have sought to shift production away from non brand hosiery towards brand name sales which have a higher profit per unit of output. This has been combined with an emphasis on the value added aspects of hosiery production, such as design, style differentiation and marketing. In 1988, Pretty Polly increased its expenditure on marketing by 50% to £1.8 mn.

Significantly, over the past five years growth in the value of hosiery sales has outstripped that of volume. Volume sales of tights have been static since 1980 at about 550 mn. pairs a year but value is growing in real terms. Over 1983-87, the value of sales grew from £280 mn. to £400 mn.

Table 53: value and distribution of hosiery sales, 1987

Value of hosiery sales 1987		Distribution by value 1987	
1983	£280 mn.	Grocery	23%
1984	£300 mn.	Variety Chains	23.5%
1985	£340 mn.	Department Stores	14%
1986	£390 mn.	Chemists	8%
1987	£400 mn.	Multiples	7%
		Independants	6%
		Others	13.5%

(Source: FT 22.9.88)

9.1.1 Corporate Strategy

Courtaulds Hosiery, now called 'Aristoc', is part of the Courtaulds Clothing 'Brands' Group and was originally a collection of 22 companies acquired by the company in the 1960s and 1970s. It produces tights under the Aristoc and Kayser brand labels, and under contract for supermarkets, the multiples and department stores. 'Aristoc' is generally a higher added value product aimed at the leading department stores, whereas the 'Kayser' brand is sold to grocery stores like Asda, Fine Fare, Tesco, and Gateway. In terms of contract hosiery, the company's largest customer is Marks and Spencer and the acquisition of Colledge Hosiery in 1984 raised its supply to this one store to over 15% of all hosiery sales (54).

Table 54: Courtaulds Hosiery, output and employment, 1987

Courtaulds Hosiery Limited

Langley Mill	Output 130,000 to 135,000	Belper
700 employees	dozen tights/stockings a	700
40 to 45,000	week	employees
dozen a week		90,000
		dozen a
		week

Distribution of Output

Brands (64% of output)
Aristoc - Department Stores
Kayser - Grocery Stores eg. Asda, Fine Fare, Tesco.

Contract (36% of output)
Marks and Spencer (12% of output),
British Home Stores, C & A, Littlewoods, and Grocery Stores.
Export - 15% of output. France (12%), Germany under contract.
64% to the EEC, 30% to Efta.

Production now occurs at two factories in Nottinghamshire. The Langley Mill plant produces 40 to 45,000 dozen tights a week of patterned, styled hosiery which are produced in shorter runs on slower but more flexible machines. The bulk of manufacturing capacity is located at the Belper plant which produces 90,000 dozen tights a week in longer runs. All hosiery assembly is being transferred in stages to the Belper plant and Langley Mill will eventually be a packing and warehousing centre. In the future, management plan to relocate production to a greenfield site. Such developments are intended to reduce production costs and overheads.

The Kayser plant at Baldock was closed during the mid 1980s. According to management, this was part of a shift away from the production of high volume commodity tights. It was also an attempt to produce an average level of tights throughout

the year rather than allowing production to fluctuate according to seasonal trends in hosiery demand which tends to peak in the winter and slump in the summer. Previously, there had been lay offs during the summer months when demand slackened. Any excess demand is now catered for by overseas sourcing or by destocking.

Courtaulds Hosiery began overseas sourcing of tights from Italian subcontractors in the early 1980s. The tights were sourced from Italy because of their lower cost. According to a Courtaulds manager:

> 'The Italians had the edge on us with the speed they adapted to changes in working practice. For instance since they went onto larger yarn packages they had increased the machine load ...at no higher wages. Other factors were (lower) overheads and interest rate charges. The Italian cottage industry didn't observe shift premiums, health and safety regulations and rates.' (National Union of Hosiery and Knitwear Workers, (NUHKW) 1982:3)

In volume terms the supply of Italian tights peaked in 1983. Overseas sourced tights accounted for 7% of sales turnover in 1987 and management intend that they should account for no more than 10% of output requirements. Technological developments during the 1980s have generated reductions in unit production costs which means that Courtaulds' hosiery is now as competitively priced as Italian tights even at the cheaper end of the market.

Although Courtaulds has attempted to be price competitive in the production of standard tights for the cheaper end of the market through investment in automated technology, a central plank of its strategy is to transform the product into a high value added fashion accessory. In both contract and

branded hosiery, tights are becoming increasingly differentiated with more variation in styles, patterns and colours which necessitate shorter runs. But the company is also engaged in a competitive struggle with retailers. It hopes to counter the trend towards retail brands by a renewed emphasis on the 'Aristoc' label, which it is hoped will redistribute value added away from retailers. Courtaulds Hosiery, according to a NUHKW district official is a particularly proactive firm:

> 'the consumer doesn't determine what the patterns are. ...all the time the manufacturers, especially Courtaulds are testing the market with design ideas ...In fact I would think that probably Courtaulds Hosiery...turns out more designs than anybody...they test the market more than anybody.'
> (Interview with Peter Hutton, NUHKW district secretary August 1987).

During the mid 1980s, the company reorganised both its brands. In 1986 it rationalised the Aristoc range to focus on more fashionable designs. This has involved the introduction of tights with fine and fancy yarns and the refurbishment of its packaging, with different logos and colours denoting different ranges within the brand. The strategy succeeded in stemming the brand's decline but has not yet increased sales (Knitting International April 1988). The company has withdrawn the 'Kayser' brand from the supermarket sector where it was losing market share to retail labels, and is introducing a new range under the 'Aristoc' name. Aristoc's annual count of styles, shades and sizes now exceeds 4,500 different stock keeping items. Nevertheless, a NUHKW district official argued that all this amounted to was minute and minor style differentiation:

'I know Aristoc make...a lot of different styles and ...different colours...but...a pair of tights to the customer hasn't altered much in the last 20 years. They look almost the same; they are almost the same; they are just knitted on slightly different machines. What does change, ...is the way they are presented to the customer, ...all the time the big (retailers) are trying to present them in the most fashionable way in order to sell a few more.'...'they've tried all sorts of different ways of presenting tights either on pricing, or presentation to sell them. That's happening all the time.' (Peter Hutton, NUMKW district official, interview August 1987)

The emphasis on the Aristoc brand has been backed up by an extensive marketing and advertisement campaign. A £1 mn. advertising campaign was launched in September 1988 which was the company's first marketing initiative for four years. The emphasis on marketing reflects a reorganisation of the company's management during the mid 1980s when several marketing specialists were recruited from other hosiery companies as well as from outside the industry (Knitting International March 1987b:78). A design and development group has been created which makes samples and then liaises with the marketing department who tests them out with the buyers of retail firms. This is all part of Courtaulds strategy to foster strong brand identification and to wrestle market share away from its major competitor, Pretty Polly and retail brand names.

9.1.2 The reorganisation of the production process

The production process, pay levels and the gender composition of the work force are outlined below. Initially, the yarn is stretched and knitted to produce a tubular piece of hose. The toes are closed after the yarn is shrunk and the legs are joined together. The garment is then dyed,

examined, packaged and distributed to retailers. A small group of machinists at the Langley Mill plant manufacture samples for retailers and sew specialty materials, (eg. lace) onto the tights. The highest paid tasks tend to be knitting and dyeing which are male dominated and involve night work.

Table 55: Courtaulds Hosiery: The Production Process, 1987

Work Process	Location (1)	Pay (2)	Shift System (3)	Male	Female
Yarn Stretch		£100	1 Shift/ weekend working at		
Knitting	LM/B	£170	Belper	131	13
Steaming/ Tumbling	LM/B	£110	2 Shift		
Toe Closing	B	£100	2 Shift and days	18	98
Leg Joining/ Manual Sewing	B LM	£100	2 shift	38	212
Dyeing	B	£160	3 shifts	36	8
Examining	LM/B	£100	2 shift and days	9	226
Handfold and Packing/Finishing	LM	£100	"	25	105
Warehouse	LM	£105	Days	40	10

1. LM refers to Langley Mill and B to Belper.
2. Average weekly pay.
3. The three shift system is organised from 6 a.m. - 2.00 p.m.; 2.00 p.m. to 10.00 p.m. and 10.00 p.m. to 6.00 a.m. The two shift system works similar hours but not the night shift (ie. 10.00 p.m. to 6.00 a.m.). The weekend shifts operate from 6.00 p.m. to 6.00 a.m. on Saturdays and Sundays.

New competitive strategies will have enormous implications for the organisation of the production process. According to the Chief Executive of Courtaulds Hosiery (now renamed Aristoc):

> '...we still need...productivity and efficiency levels raised to world standards. Better controls and systems

> required to improve customer service and reduce stockholdings. We've got to have more control over overhead costs, which means people and space. We have already massively reduced space requirements without any reduction in capacity, in terms of both factories and offices.'
> (Knitting International March 1987b:78)

In the mid 1980s the company embarked on a capital expenditure programme costing £3 mn. This has involved investment in additional knitting plant including the purchase of two electronic Nagata machines in March 1987. These computerised machines are more versatile and flexible than previous technology because they have unlimited patterning scope. By inserting a cassette, a hosiery pattern can be changed in 1.5 mins. and a new style is produced by feeding a new code into a computer. New electronic dyeing machinery has also been introduced and the packing operation is now highly automated. In terms of future investment, the company intends to automate tights assembly with robotic links between production operations. Automatic electronic devices will link together separate production processes, notably the toe closing, seaming and leg joining processes. The company also intends to invest in new CAD/CAM machinery. Although the capital intensive nature of the production process reflects the need to raise productivity and reduce unit costs of production, computerised machinery enables these objectives to mesh with greater productive flexibility, particularly pattern and colour differentiation.

The company's central aim is to increase throughput and reduce inventories. The production director of Courtaulds

Hosiery wants to achieve the productive flexibility of Japanese car companies, associated with 'just-in-time' production and quality control systems.

> 'It (productive flexibility) is now all about people and systems. We have all become too obsessed with technology.' (Knitting International April 1988:40).

The company is attempting to achieve 'flexibility' not just by investment in flexible automation technology, such as programmable knitting machines, but also by reorganising their system of inventory and stock control. Production lines are fed with a small amount of every order, termed 'mixed model master scheduling', which means that top-up stocks are available for all customers. A system of statistical quality control has been introduced whereby quality checks are undertaken on a random basis in each department instead of examining all hosiery before it is delivered to customers. The union district officials responsible for negotiations at the two hosiery plants (William Hage and Peter Hutton) argued that the pattern of change is particularly rapid:

> 'it's fair to say that things are changing from one week to the next and have been for the past three years now and that change doesn't appear to be slowing down...'..'part of it is due to customer demand..I say customer demand but really it's what the retailers inflict upon the customer...they would tell us it's customer demand but it's what they say we will have..' (WH)..'with a bit of help from advertising.' (PH)

The increasingly capital intensive nature of the production process has had a major impact on hours of work, skill levels and the pay structure. Investment in new machinery has led, as in other sectors of textiles, to an extension of shift working which has reinforced the sexual division of labour at the Courtaulds' plants. Male dominance of the

knitting and dyeing work processes has been reinforced with the introduction of three shift working, including nights, and weekend working. Women have tended to occupy more labour intensive parts of the production process (handfold, examining) and semi automatic jobs (toe closing, seaming, leg joining) which did not involve working night shifts. The senior shop steward at Langley Mill argued that male knitters had traditionally been perceived as an elite, privileged group despite the fact that the job was now one of machine minding. Although women were quite capable of doing the jobs they were deterred by the shift system which involves nights. Although some women do work shifts, they were usually single parents 'desperate for the money' (Interview with Margaret Bradley, senior shop steward at Langley Mill, August 1987).

The increasing automation of these processes has led management to extend shift working to female workers. Two shift working (6 am to 2 pm: 2 pm to 10 pm) has been introduced for female workers at both plants but is currently restricted to volunteers and new recruits (ie. 18% of the female workforce). Because the company had extended shift working to women on a restricted basis, management felt that it had received a more favourable response from workers than expected ('resigned apathy'), but the official union response was hostile. The extension of weekend working to the knitting section has also been opposed partly because it is against NUKHW policy for production operatives to work Sundays. More importantly, the company employs a separate workforce to work the weekend shifts but on lower pay rates

(basic rate is £134 compared to £152 during the week and shift allowances are also lower at £6.00 compared to £13.00). These terms were eventually imposed after the management and union had 'failed to agree'.

Management and the union representatives argued that new technology had deskilled and routinised work processes. The union district secretaries argued that workers were becoming machine minders even in the most skilled jobs. In the assembly jobs in hosiery production which used to utilise skilled machinists, most of the workers were now 'just simply putting hose on a tube. They feed the stuff in and take it off at the other end.' In knitting there had been some deskilling but workers were now responsible for more machines than previously. Training times had been reduced from two to three years to two months.

Dramatic changes had occurred in the skills of dyers. According to Peter Hutton:

> 'At one time they would have to very carefully mix all the dye..be totally responsible for making sure everything was done correctly at the right temperature.'

whereas now,

> 'They give them formulas and they just mix the dye according to the formulas....They (the dyers) will tell you differently but all they have to do is be careful they don't get the mix wrong as laid down by computer...when you've logically examined everything, you find out the skills gone out of it, everything that is hard is done for them.' (William Hage)

The union officials did not envisage any dramatic transformation in the sexual division of labour in hosiery production because of new technology. The extension of shift

work was deemed to be problematic for female workers because:

> 'most women don't want those sort of working hours...I haven't met one lady yet that wants to work those shifts. I've met quite a number that, for want of a job, will put up with it but I haven't met one that wants to work it.' (Peter Hutton)

If any change did occur in the gendered division of tasks, it would probably be in the direction of the substitution of female by male labour. Although the union recognises that male workers have maintained their privileged niche within the labour process in both the hosiery and the knitwear industry because of the shift system and not the possession of intrinsic skills, hierarchical pay structures are still perpetuated by the union. This is despite the following perception by the General Secretary of the NUHKW, Mr. T. Kirk, that:

> 'most knitters are on piece rates,...it's the machine that does the work and the man get the money, the female doesn't have the help from the machine, every penny she gets she's had to do the work.' (55)

The management at Courtaulds Hosiery intended to rationalise existing pay grades because they were based on antiquated notions of skill. The proposed revision of pay grades was being negotiated with the NUHKW during the summer of 1987 and is as follows:-

1. Basic Manual £95
2. Manual £100
   (handfold; manual assembly; examining;pre-stretching)
3. Semi automatic £105
   manual (toe closing and seaming; leg joining; packing and examining)
4. Robotic £110
   (autolink packaging; all robotically linked machines)

The main impact will be the rationalisation and simplification of grades other than knitting and dyeing. The higher wage differentials of knitters and dyers will be consolidated under this system. Although the impact of technology was in the main to erode craft and skill boundaries, management was in the process of consolidating a wage structure which disproportionately rewarded workers for performing essentially deskilled tasks. Manual workers, even those doing skilled sewing jobs, will be lower paid than workers operating semi automatic or robotic machinery. New technology in this instance has had a major impact on work content but not on pay differentials which are maintained on the basis of custom and anachronistic notions of skill.

9.1.3 Pay and Performance Levels

During the summer of 1987, a work measurement programme was being introduced to reorganise pay and performance levels. The aims of the exercise, management argued, were to 'allow greater incentive earnings potential' and more accurate piece rates, 'to ensure that each job has the right number of people doing it' and that 'each job is done the best way.' (Company Document 1987). Piece rates were regarded as slack and therefore needed to be tightened up to rectify overpayment. A work study activity sample was carried out with information collected on the performance levels of all workers. The analysts advised on new pay rates, the method and layout of work and appropriate employment levels. At the time of the interviews in summer 1987 with management and shop stewards at the plant, the programme had covered the knitting and handfold section.

In the knitting section, at Langley Mill, workers are now responsible for a greater number of machines. Previously, one operative had responsibility for 35 machines compared to 64 at Belper. This was related to the greater style and pattern variation of output at the Langley Mill plant. Since the work study exercise the ratio is one worker to 57 machines. This resulted in three job losses which were absorbed by natural wastage and voluntary redundancies. The remaining workers will receive higher pay. Formerly, knitters at Belper received basic rates of £152 per week and £134 at Langley Mill. Pay rates will now be equalised to £152.

New pay rates have also been introduced in the handfold and packing section. Pay has increased overall by 23% with comparable increases in productivity. Management stated that employment at both factories had been reduced by 100 over 1986-87 which had been partly due to the restructuring of pay and performance levels but there had been no compulsory redundancies because displaced workers have been redeployed.

Time recording procedures were to be standardised, so that workers would all clock in and out for each work period. In the future, it is hoped that job losses will be absorbed by natural wastage (14% labour turnover) so when workers leave the jobs will not be filled. The possibility of compulsory redundancies, though, was not completely ruled out by management.

Investment in new technology, the reorganization of pay and performance levels, and measures to increase throughput will collectively boost productivity and reduce unit production costs. According to management, productivity has increased since 1984 by 50% and it is estimated that over the next five years, the workforce will be reduced by 20% (loss of 280 jobs) with the work study exercise alone leading to a fall of 10% in the number of workers employed. Such developments involve an intensification of labour which, combined with the deployment of more automated technology will boost productivity levels and displace labour. Overall, management felt that the union and workers were in favour of changes in work organisation and investment in new machinery, although workers at the Belper factory had been more equivocal. Some workers were suspicious of the work study programme because of long standing antipathy to the piece rate system and the suspicion that management want to extract more work without corresponding pay increases.

The impact of such changes on the gender division of labour is less clear cut. Presently, male workers comprise 28% of the workforce and women 72%, but this gender composition may be restructured in the future in the light of several competing processes. The extension of shift working to the majority of production processes may lead to the gradual substitution of male for female labour, unless it is made materially easier for women with childcare responsibilities to work a two shift system. Female labour will be disproportionately displaced from employment at the company because of the increasing automation of manual processes,

such as handfold and packing, and the introduction of a statistical quality control system in the examining area. Job losses then will disproportionately hit the female dominated, labour intensive areas of the production process. It is probable that the 20% reduction in the workforce over the next five years will come in the main from female workers. This though may be countered to a minor degree by the recruitment of female workers into male dominated areas like the knitting room and the warehouse because they were perceived by management as less troublesome and more adaptable to change than male workers (Interview with Personnel Manager, Stephen Spencer, August 1987).

9.1.4 The creation of a new employee culture?

> 'Perhaps the most difficult hurdle to overcome has been people and their enthusiastic acceptance of different practices, the importation of new skills in systems and computerisation - in fact the superimposing of a whole new employee culture.' (The Production Director of Courtaulds Hosiery: Knitting International April 1988:40-41)

Courtaulds has sought to create a 'new' employee culture at the company in the hope of sustaining some sort of consensus and acceptance of the restructuring of the production process. In terms of relationships with workers, the management emphasise the use they have made of various forms of consultation and communication with the workforce. A number of mechanisms have been used, such as work committees, quality circles, suggestion schemes, team briefings and company newsletters. Although all of these mechanisms are non-union based forms of 'employee involvement' they have been used to supplement consultation with the union (the NUKHW) rather than to bypass it. On a

number of occasions management imposed changes in terms and conditions of employment (eg. weekend working). But it did consult and negotiate with the trade union on the major aspects of the restructuring, such as the work study programme and the reorganisation of pay and performance levels at the plants. The senior shop steward at the plant felt that management were generally trying harder to communicate with the workforce and that the shop stewards had constructive relations with management.

The shop stewards regarded technological change and the introduction of new automated machinery as 'inevitable', and as 'progress' but they also felt that they were 'hanging onto (their) jobs by the skin of our teeth'. These sentiments were partly conditioned by the recession of the early 1980s and the perception that the company may not survive. The senior shop stewards argued that new technology had benefited workers by preserving their jobs, although the radical changes introduced by the company had engendered both fear and confusion. They were in particular concerned about the work study programme involving the tightening up of piece rates, which was regarded as penalising older workers who tend to dominate the Langley Mill workforce. These workers cannot easily adapt to change or pick up other jobs. In addition, the attempt by management to reduce inventories and rationalise stocks means that workers tend to have an inadequate or sporadic flow of work which depresses average wages. Thus, individualised forms of payment may not mesh easily with strategies of productive flexibility.

Nevertheless, apart from hostility to the closure of the Kayser plant in 1984, the union district secretaries argued that there had been little opposition by workers to the recent changes at the plants. The reason for such acquiescence, argued the officials, was 'that there's been so much change they are used to it.' According to William Hage, at Courtaulds Hosiery:

> '...things are changing from one week to the next and have been for the past three years...that change appears to be accelerating.'

9.1.5 The National Union of Hosiery and Knitwear Workers and Courtaulds: a case of 'macho management'.

Courtaulds, in the opinion of the NUHKW district secretaries, had become less willing to consult and negotiate with the union on issues as major as proposed redundancies, rationalisation or the introduction of new technology. According to Peter Hutton:

> 'They make the decision then they notify us. It's a tail end job all the time...they change the management structure (frequently)...and from time to time, we don't know who we are dealing with.'

> 'Courtaulds...don't come in and negotiate. Now they tell us what they are going to do and then we have to try and get out of that situation.' (William Hage)

The company compared unfavourably with other firms (eg. Charnos) which tend to contact union officials for exploratory talks to 'work something out' on a mutual basis. The perception of Courtaulds as a particularly ruthless employer was vividly expressed by the Vice President of the union at the 1984 Annual Conference:

> 'Courtaulds...have spent a lot of money in the last couple of years, but,...they want a return for it... If that is not produced, then heads roll. ...we are constantly pressurised for reductions in piece rates, changes in systems and the pressure is never off...

> Some of the proposals coming through are almost indescribable in their viciousness...You would screw up inside at the thought of how a British multinational company could be so concerned with profits that...the workforce appear to be nothing more than a unit of production, yet another product of the company.' (NUHKW 1984:261)

As far as Courtaulds Hosiery is concerned, the district secretaries stated that levels of consultation had improved over the last few years although on some issues it is still far from ideal. For example, management still purchase and introduce new technology without consulting the union. The district secretaries tend to be informed when the workers refuse to operate the new machinery without an increase in pay:

> 'When they can't reach an agreement then we get a phone call. "Your members won't work our new machine. Are you going to come down and tell them to work it." The answer is normally no. I'll...talk to them about whether it should work and who it is going to affect and how much they should get paid for it.' (Peter Hutton)

Moreover, during 1987, the unilateral decision by the company to depart from established industrial relations procedures in the industry had increased the suspicion and hostility of the NUHKW. Formerly, management and the NUHKW had negotiated on the basis of the 'Green Book' which was an agreement between the union and certain companies within Courtaulds Clothing. In essence, it was an offshoot of the Knitting Industries Federation (KIF) agreement (the employers' federation). Although Courtaulds is a member of the KIF, it does not negotiate wages in the forum of the National Joint Industrial Council preferring to negotiate separately with the union. In practice, according to Peter Lowman (NUHKW Research Officer) Courtaulds have generally paid better wages than those established by the NJIC.

In 1987 Courtaulds announced its intention to terminate this agreement so that negotiations were to be devolved to the level of the individual subsidiary. Management at Courtaulds Hosiery argued that the aim was to shorten the process of negotiation and decision making. The company felt it was hampered by the Green Book with its restrictive conditions on overtime and shift working. In certain circumstances, management may want to improve shift pay without the constraints of the Green Book. The NUKHW has reacted with anger to this decision because the agreement stipulated industry wide standards.

The fragmentation and decentralisation of industrial relations by the company poses severe problems for textile trade unions. The prevailing structure of trade union organisation means that the company is not confronted at any level by an inter-union forum or negotiating committee. Apart from the TUC Textile and Clothing Industry Committee, the NUKHW research officer pointed out that the union does not meet with other Courtaulds' unions because the company is involved in multi and diverse industries which do not impinge on hosiery and knitting. However, sporadic and informal discussions do sometimes take place between the union and the National Union of Tailors and Garment Workers (NUTGW) and the Dyers and Bleachers section of the TGWU. The possibility of any amalgamation between the NUTGW and the NUKHW has been on the agenda since the 1970s but so far has been resisted by the NUKHW. According to Gurnham (1986:180) NUKHW union officials and lay members feared that they would have little real power because the NUTGW is a much larger

union and would therefore have a majority on the new executive committee. Ironically, one of the NUHKW district officials interviewed still felt that the hosiery and knitting industry was primarily a 'craft industry' despite the deskilling tendencies of new technology.

> 'We know that they (the general unions) get membership in our industry and do not, in our opinion, give their members the same sort of service that we give...if you like we're a little bit proud.' (William Haqe)

9.1.6 Union Strategies: technology vs. imports

The fragmentation of trade unions in the textile industry impedes the formulation of common policies and strategies towards the problems posed by the rapid and profound restructuring of textile multinationals. In the case of Courtaulds there exists no recognised central trade union forum for all unions. Moreover, the company's policy of devolved bargaining with little centralised control over industrial relations means that negotiations occur locally despite the fact that strategies concerning rationalisation, and technological investment are constructed at a divisional or corporate level.

NUHKW officials positively supported company strategies that enhance the competitiveness of UK manufacturing units in the hope that the jobs of union members will be preserved. This must be contextualised in terms of the rapid rate of decline in union membership during the early 1980s (from 1980-84 union membership fell at the rate of 6.1% per year). Paradoxically, despite the labour displacement impact of new technology, union officials regard capital intensive production methods as a necessity to stave off imports.

According to the Ilkeston district secretary, Peter Hutton:

> '...if we don't go along with the new machinery ...which means job losses, then we aren't going to have a trade...because all our competitors overseas...will go along with it and ...will undercut us even more...so we've got to keep everything hyper efficient in terms of...new machinery..The obvious effect is less people employed but....we might still have a business in this country.'

In terms of official pronouncements, the 1984 Annual Conference proceedings records the reaction of NUKHW officials to Courtaulds' investment package in the hosiery and knitting industry. The feeling was that new technology could still undermine levels of employment in certain areas and therefore 'a great amount of consultation and negotiation must take place.' (NUKHW 1984:46). Although the NUKHW attempt to ensure that no redundancies are caused by the introduction of new technology, in the case of job losses, the officials aim to get a 'realistic' increase in the wages of the remaining employees, or to get displaced workers retrained. The district secretaries were generally dissatisfied with prevailing levels of consultation over new technology. The usual way of discovering that new technology had been introduced was through circulars which are regularly sent out from head office to shop stewards requesting information on this issue.

But union officials continually asserted the inevitability and desirability of technological change which they argued would enhance the competitiveness of UK companies. According to William Hage:

> 'You have to accept it or die. It's no good sticking your head in the sand because it's going to come in anyway.'

The reaction of shop floor workers in general to the

introduction of new technology had also been one of acquiescence, albeit 'resigned' and 'reluctant'.

The alternative to new technology is likely to be import related job loss. At least with capital intensive production methods, the union will preserve some jobs, and possibly at higher wage rates than previously. Moreover, acquiescence to new technology must be placed in the context of the union's concern at the growth of unregulated, technologically backward, sweatshops in the hosiery and knitwear industry which tend to compete on the basis of wage costs. Large companies like Courtaulds and Corah are perceived as the 'advanced' and modern sector of the industry offering better terms and conditions of employment than other companies.

The general support for productivity enhancing measures by the union is not necessarily new. During the 1970s, Michael Meacher, the then Under Secretary of State for Industry praised the union for,

> '...accepting new machinery and new methods... to a degree which has sometimes surprised and evoked the admiration of other sections of British industry.' (Gurnham 1976:169)

From the official history of the union, it appears that union leaders in particular have consistently sought to cooperate with management in raising the level of productivity in the industry and in the introduction of work measurement and method study.

The union is also positive about the trend towards shorter production runs and lead times in the industry. This was made explicit at the 1984 conference:

> 'The ability to produce goods for a changing market in less time than your competitor is a major factor in the current markets for our goods...The possibility of shorter lead times, resulting from the ability to adjust machines to pattern changes, must be fully utilised by management in order that our industry can resist the impact of imported products. However,...there must be an inevitable impact on employment levels.' (NUKHW 1984:183)

But the trend to shorter runs and lead times poses real problems for workers paid on the basis of piece rates, when highly productive workers may fail to earn their average wage because of the fast changing pace of work. A delegate at the Annual Conference in 1986 articulated the very real problems that flexibility poses for workers in the industry.

> '...we know, and accept, that in this world of ever-changing fashions we are now in an era of ever shorter runs, which have led to more constant switching from one job to another...we are no longer prepared to come to work and accept a reduction of 12.5% in our wages under the guise of alternative employment...it is laid down in black and white under our National Agreement, whether it be the Green Book or the Brown.' (Mrs M Daniels: NUKHW 1986:226)

The Temporary Interchange of Employment Clause allows employers to pay only 87.5% of a workers' potential earnings. Currently, the union is campaigning for 100% average earnings or the piece rate if it happens to be higher, for any alternative work done. The union has also felt on a number of occasions that the technical reorganisation of the production process had been used by Courtaulds as an opportunity to introduce new work measurement/study systems with the precise intention of tightening up piece rates. For example, the introduction of new handling systems in knitwear factories which transport garment pieces to workers on rails had led to management trying to lower piece rates and standard minutes (NUKHW 1986:20).

Nevertheless, despite concern over the impact of technical and organisational changes on employment levels and pay, the union had adopted a positive stance in relation to strategies which, it felt, would enhance the competitiveness of the company within the UK thus preserving the remaining jobs of hosiery and knitwear workers. This 'favourable' response, though, must be contextualised in terms of union concern at the multinational orientation of Courtaulds' activities, and its involvement in overseas sourcing, particularly of hosiery. The negative impact of Courtaulds' participation in international subcontracting on employment levels had preoccupied the union in the early 1980s. NUHKW officials argued that sourcing of tights from Italian subcontractors had been partly responsible for the closure of the Kayser plant at Baldock in 1984. The National Officer, Mr J Matlock, argued at the 1984 Annual Conference:

> 'The company (Courtaulds) decided that one factory would have to close, they would buy the merchandise, or source the...tights, from Italy. No matter what representations we made on behalf of those members, we could not get past the stone wall economic fact, "We can buy them cheaper in Italy, we want them to support the bottom end of the market, and the idea is we'll close this down, buy all the cheap stuff in Italy, support the bottom end of the market and in our other two factories we will make up market goods, with the higher added value."'

The union also objected to Courtaulds selling machinery to competitors in Italy to 'make the hose which they were going to buy in and sell in the UK market.' Moreover, concern was registered at Courtaulds' involvement in offshore processing although it was continually stressed by the company that these arrangements represented only 2% of Courtaulds total textile and clothing operations and therefore would have

minimal impact on UK employment. Some NUKHW district secretaries now consider overseas sourcing to be less of a problem than in the early 1980s. According to Pete Hutton companies like Courtaulds are now:

> 'more reliant on the price of the yarn and the cost of running hi-tech machinery rather than the wage bill, (therefore) the less advantage...any cheap imports ...have over us.'

The strategic unity of textile unions tends to coalesce around the necessity of import controls. The NUHKW Research officer, Peter Lowman, argued that Courtaulds had not extensively internationalised its manufacturing activities during the 1980s. It had pursued a strategy of rationalisation rather than relocation of production overseas. Low cost imports were regarded by the union as the main threat to employment levels in the industry, particularly from EC countries like Spain and Portugal not covered by the MFA. As in other sectors of the textile industry, the main response of the union to the crisis of the industry in the 1980s has been to emphatically stress the job displacement impact of low cost imports and to campaign under the umbrella of the TUC Textiles and Clothing Industry Committee for stringent import controls. This renders them impotent to deal with a company, like Courtaulds, whose industrial relations policy is designed to exacerbate the fragmentation of union organisation, which tends to be sectorally or regionally based.

Contact with overseas trade unions with membership at Courtaulds' subsidiaries is at best sporadic. Textile unions do have an international trade union structure through which

information and support are channelled. The body linking up textile trade unions in the industry is the International Textile, Garment, and Leather Workers' Federation (ITGLWF), an international trade secretariat, based in Brussels. It has very limited resources and does not organise company councils to link workers in specific multinationals, unlike some international bodies.

Criticisms of the ITGLWF (cf. Rollman 1984, Chisholm et al. 1986, International Labour Reports 1986) centre around its lack of recognition of the complex constraints that shape union organisation in LDCs. Many workers may be organised at factory level but do not belong to national trade unions which are often sponsored by governments as compliant or 'tame' unions. The trade unions which emerged, such as those at the Daewoo Company in South Korea, and at IGMC (owned by Bairds, a British clothing MNC) in the Philippines tend to exist outside of an international trade union structure. It also means that the International covers only a minority of workers in a number of European countries because textile unions in those countries are affiliated to a socialist or communist organisation. This complicates further the task of monitoring multinationals and coordinating union strategy even within developed countries (Rollman 1984).
Fragmentation of British textile unions at a national level therefore coexists with infrequent and perfunctory links between trade unions at an international level.

9.2 Courtaulds Spinning: the re-equipment of Maple Mill

9.2.1. Introduction

The company's spinning division covers 19 mills. Two of these mills - Maple Mill and Swan Lane - were thoroughly modernised in 1986 and 1988 respectively. Maple Mill consists of two plants but the re-equipment programme was restricted to Maple Mill (2) which formerly had a ring spinning department and a small open end spinning section utilising first generation Czech BD machines purchased in the late 1960s (56).

Chapter eight demonstrated that intensified competition in the British retail market led directly to the modernisation programme. Marks and Spencer, which takes 20% of the Textile Group's sales, is constantly demanding better quality from their garment and fabric manufacturers. They now insist their suppliers install more sophisticated technology. This machinery requires larger packages - or reels - of knot free, high quality yarn, which resulted in the decision by the company to spend £4.5 mn. to re-equip the plant at Maple Mill (2) with Schlafhorst Autocoro machines - the latest, fully automated open end spinning machines. These were gradually phased in over a two year period, from 1986 to 1987, and culminated in the full re-equipping of the plant with fourteen spinning machines, new pre-spinning machinery, robotic package removal systems, air conditioning equipment and modernisation of the building.

This development has had profound consequences for the workforce at the plant. The new machinery has the potential to more than double labour productivity and since there were no plans to increase the factory's output of 60 to 70 tonnes of yarn a week, employment levels have been dramatically reduced, from 265 employees in January 1986 to 90 in 1987. Senior management argued that the principal function of the technology was not to cut the wage bill, for the cost of labour at the mill was already low. Union officials estimated in 1986-87 that workers at the Spinning Division earned basic hourly rates of £2.15 for a 37.5 hour week. With overtime, better paid workers grossed £125 to £150 a week (57). Before the re-equipment, management estimated that average pay at the mill was around £85 to £95 per week for a spinner working a discontinuous, three shift system.

Given the reconfiguration of the domestic retail and clothing markets and the intense competition from yarn manufacturers of other developed countries, management argued that they had to invest in the latest spinning technology. Any failure to introduce such technology would lead to erosion of market share and job losses. Senior management saw the choice as between 'fewer jobs and a future and no future at all'.

The following discussion investigates the impact of new technology on skill levels and the sexual division of labour. The analysis highlights the responses of workers and the strategy of the union to the technical reorganisation of the production process.

9.2.2 New technology and the recomposition of the workforce

Pre-dating the introduction of the machinery, the work process was divided into the pre-spinning, spinning and winding processes. Pre-spinning processes - opening and cleaning, carding, draw and speed frame work - cumulatively clean and break up the dirty bales of raw cotton. The fibres are then straightened, separated and made to lie in a parallel direction and finally pulled and twisted to form a very soft, thick string which is ready for spinning.

The mill had a section of ring spinning machines, which formed yarn by means of a spindle, and a small open end spinning section which produced yarn by centrifugal action. The winding process detects any faults in the yarn and finally, winds it onto packages ready for the customer. Generally, open end spinners are capable of higher productivity than ring spinners although before recent technical advances, they have been economic for coarse rather than fine fabrics. Many technical problems have been eradicated and Schlafhorst Autocoro machines - a third generation open end machine on the market since 1978 - have maximised the potential of open end spinning with full automation incorporating the winding process, and delivery of high quality yarn on large packages at speeds of up to 80,000 revs. per minute. The production of yarn occurs in long runs, with output at the mill estimated at 60 tonnes of yarn a week. Because most of the yarn produced is continuous running, about 80% of the machines do not alter at all for at least six month periods. The result is that scale economies from long run production can be secured whilst

maintaining standards of high quality.

In terms of the impact of the machinery on skill levels, technological change is not a new phenomenon in the cotton textile industry and there are few work processes left which are intrinsically skilled. The union concerned felt there was less 'skill' involved in all work processes and this was inextricably linked to increasingly capital intensive methods of production. Turner argued in 1962 (p. 10-11) that:

> 'few occupations in the cotton industry are intrinsically skilled in the sense that their adequate performance necessarily requires any long preliminary training. Most of the work is simple machine tending - feeding the machine with its material, removing its product, keeping it clean and free from obstruction.'

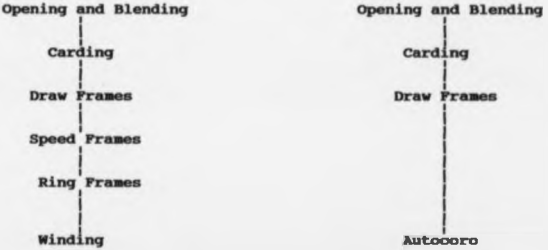
Even these are now defunct manual operations. The last bastion of an apprenticeship system at the mill centred around Card Attendants, a group which achieved skilled status by monopolisation of union office and exploited technical change at the work place to extend their control over machinery. In the cotton textile industry, workers in the card room have customarily been paid higher pay rates than spinners (a £5 to £10 differential at the mill predating the re-equipment). This historic relic of skill will now finally be destroyed by new technology.

Mill management felt spinning processes had been deskilled over many years by new technology and workers will only get minimal training for the new spinning machines. Both Card Attendants and Draw Frame operators (pre-spinning operations) will have their skill marginally reduced although these jobs have been semi-skilled now for some

time. The only relatively skilled job that is created by the introduction of these machines is that of maintenance technician, and this position will be filled by a group of existing male supervisors. In short, new technology has not enhanced worker autonomy or increased task variety, but has further deskilled already routinised work processes.

Consequently, there have been no obstacles to the re-equipment posed by craft workers or strategically powerful bargaining groups within the mill. Autocoro machines not only raise productivity levels (they are six times as productive as the 1960s generation of open end machines which were three times as productive as ring spinning machines) but they also eliminate certain work processes, notably the speed frame and winding operations and in this instance, will eliminate less productive technology like the ring spinning and the small open end spinning section.

Chart No. 2: Production Stages for Yarn: two different spinning technologies



The application of new equipment has had important implications for the sexual division of labour at the mill. Hitherto, the opening/cleaning and carding functions were a male preserve, as was the open end spinning section. Draw, speed frame work and ring spinning were performed equally by men and women, with winding an exclusively female preserve. All production workers, except winders, were employed on a shift system, with the open end spinning section on a slightly different pattern involving weekend work and slightly longer hours which resulted in higher average pay rates.

In terms of the relative position of men and women, it is clear that although male workers have been affected by the job displacement impact of technological change at the mill, they will be able to secure the majority of the remaining jobs. This is the result of complex long term shifts in the gender and ethnic composition of the workforce at the level of the industry. The proportion of men employed in spinning has been rising since the end of 1959 (cf. Miles 1968 and Walby 1986). This can be attributed to the growth of shift working, involving night work intended to increase the utilisation of machinery. Women were prohibited from night work unless exemption from legislation was obtained and this led to the gradual substitution of white female labour by Asian males. According to Singleton (1986:106) in 1965 Asians comprised 7% of the labour force in the UK cotton industry and by 1968, 59% of operatives on night shifts in spinning and 36% on night shifts in weaving were immigrants.

There has always been a higher proportion of men at Maple Mill (2) because the open end section has worked a shift system which involves night and weekend work, considered by both management and the union to be unpopular with female workers and white males. This shift pattern will be generalised to all workers in future. In fact, shift working which gained ground in the 1960s was emphasised by management as the principal reason for the transformation of the industry from a female to a male dominated workforce. Permanent night shifts or weekend work were held to be inconvenient for women because of their "domestic responsibilities". Furthermore, in relation to negotiations over the introduction of this technology, union officials had not considered negotiating shift hours which would explicitly suit the needs of working women with children.

The continuous multi-shift system which revolves around a four week pattern (two weeks on days, two weeks on nights 7.30 am - 7.30 pm, 2 days on, 3 days off; 2 days on, 2 days off; 3 days on, 3 days off - then onto nights) has been generalised to all workers. Mill management argued that the only other option would have been a rotating day and night shift, whereby people would be permanent day workers or night workers but this would have involved higher differentials for night work which ran counter to the company's policy of eradicating pay differentials. The shop steward at the plant favoured the extension of a discontinuous three shift system (6 am - 2 pm; 2 pm - 10 pm; 10 pm - 6 am) and a separate weekend shift. This, he argued, would have preserved the jobs of a few more workers and led

to the employment of people who could not work nights but again, this system involves higher pay differentials for workers on nights.

Currently, only 16 out of 79 production workers are now employed on day shifts.

Machine Minders	28
Ancillary Operatives	16
Shift Overlookers	12
Beamers	16
Other	7
Total	79

Fourteen operatives work a typical shift, involving one shift overlooker, two technicians, seven machine minders and four ancillary operatives.

The people selected to be operatives on the new machinery were the open end spinners who management felt had the requisite 'skills' despite it being a semi/unskilled job. Length of service, insisted on by the union, was also taken into account. The shop steward at the mill argued thus:

> 'a lot of the (female) winders felt that they should have been given the opportunity to train on this type of machinery but...our initial argument was - and it wasn't really a case of jobs for the boys...- it was that if anybody's doing a job then they should be ...given the first chance. The jobs were limited so obviously we couldn't say right well anybody can come in and train on them.' (Interview with Nick Walsh, Summer 1987)

The Opening/Cleaning and Card Room section will remain predominantly male after the introduction of Autocoro machinery. In fact, all the operations to be phased out are ones which predominantly affect women - speed frames, ring spinning and winding. The single case of reskilling

resulting from the re-equipment (maintenance technicians), will benefit male supervisors from whose ranks recruitment will come.

Previously, the proportion of women to men was one third to two thirds and most women worked either as winders on day shifts (90% women) or in the ring room as spinners and doffers on double day shifts (roughly 50% women). Now, women account for only 10% of production operatives with two women working a multi-shift system (these were previously a draw frame worker and an ancillary operative), and six women employed as beamers on a day shift. The Personnel Officer (interview with Doreen Broadbent in the summer of 1987) argued that multi-shift work involving nights and weekends had had a massive impact on the numbers of women employed at the mill. An additional factor militating against the retention of female workers was the necessity for the remaining workers to possess the requisite 'skills', particularly carding and draw frame work which had always been male dominated occupations. A number of young women applied for multi-shift working but the Personnel Officer argued that they were not taken on because they did not possess the relevant 'skills' or fulfil the length of service requirement. According to the Personnel Officer, new technology in this instance had not benefited female workers at all.

The ethnic composition of the workforce had been consolidated by the introduction of new technology. Twenty four production and ancillary operatives are Asian,

comprising 30% of the workforce. All the Autocoro operatives, half the packers and labourers and three out of the eight draw frame/card attendants are Asian males. The Personnel Officer stated that Asian females (like white females) were previously employed in the winding room on day shifts because they were 'nimble fingered'.

There has been consolidation of white males in positions of authority at the plant, as shift overlookers, technicians and general managers although white males also perform production and ancillary tasks. Female workers, both Asian and white, have been displaced from employment largely because of the extension of the shift system to all production operatives but also because other highly discriminatory factors were taken into account in the allocation of workers to new tasks at the mill, notably, length of service and possession of requisite 'skills'. These factors inevitably favoured the retention of both Asian and white male workers at the plant. White males account for the majority of managerial and supervisory positions in the mill whereas Asian males perform a sizeable proportion of the production and ancillary jobs, particularly on the Autocoro open end machines run on a continuous multi-shift basis. These patterns of change at the mill clearly form part of broader historical shifts in the composition of the workforce representing the complex intersection of gender, race and class factors.

9.2.3 The response of the union and workers to the re-equipment of the mill: conflict and consensus.

The official union perspective on the re-equipment programme was conditioned by the recent decimation of its membership and individual worker's attitudes too were inevitably affected by high levels of unemployment and the drastic rationalisation of the Lancashire cotton spinning industry. Between 1974 and 1985, the membership of the old Amalgamated Textile Workers' Union (ATWU) fell from 45,243 to 15,331.

The union's response to technological change also reflects historical factors. The ATWU, established in 1974, resulted from a merger of five separate unions each of which had a predominance of membership in the cotton and allied textile spinning and weaving industries. Despite this amalgamation, the union kept a federal structure with two distinct levels of autonomy; the central organisation (the ATWU) and the ten districts which comprise the ATWU. Each district had its own set of rules and system of internal government with members' grievances and problems being processed initially at this level.

Turner (1962) in a study of the cotton unions, argued that despite some major disputes in the industry, the leaders of the cotton unions did not view industrial conflict as an instrument of broad social or political change, or strikes as anything more than an occasional necessity. Another factor was the cotton unions' over-reliance on full time officials. In comparison with engineering and dock workers, unofficial shopfloor based movements were rare in the cotton industry and the level of workshop disputes was negligible.

Turner argues, (1962:28-29) moreover, that union leaders and employers colluded to limit the occasion for factory disputes by elaborating a general code of principles for their resolution. These historical antecedents - political conservatism, over reliance on full time officials, weak traditions of shopfloor resistance and the peculiar federal system of district autonomy - all shaped the character of the ATWU.

As a consequence of the ATWU's rapid decline in membership, which threatened the viability of the union itself, the union voted by a majority of four to one to merge with the General, Municipal and Boilermakers Union (GMB) in April 1986. The shop steward at Maple Mill argued that under the ATWU:

> 'shopfloor organisation was...neglected...because people would always go up to the (district) office to present the complaint...and the full time officials would come down and deal with it...the full time officials were far more involved than an organiser is for the GMB and they tended to hold all the power and information and deal with a lot of issues that should be dealt with by shop stewards.'

The amalgamation of the ATWU with the GMB was regarded as a positive development because of the general union's emphasis on the role of shopfloor organisation. But textile workers still expected the district officials of the Textile Division to get involved in the first stage of disputes rather than shop stewards.

Neither the union at an official level or at the plant opposed the introduction of new technology as such. It was, however, pledged to fight any compulsory redundancies. The chance of higher pay and better conditions for the remaining

workers and the possibility of redundancy money which about one half the displaced workers wished to take despite the offer of redeployment, overcame any potential resistance to the re-equipment of the mill. For workers who live in communities devastated by unemployment and who work in a drastically rationalised industry, the option of resisting new technology is not attractive. In the case of Maple Mill 2, workers were aware that their mill was antiquated and full of obsolete equipment, and that workers in surrounding mills would probably be more than willing to accept the re-equipment. The shop steward at the plant argued that there was a lot of apathy over the reorganisation of production at the plant. He attributed this to,

> 'the general situation outside. The economic climate at that time. People were frightened to death. They still are now. They are frightened to death on the shop floor of doing anything, stepping out of line anywhere. They put on a bit of bravado but when you work with them, you can see...(how far) they are prepared to go and it's not actually very far.'

It was argued that the official union response had been motivated in part by 'new realism' and the fear that if the union did not accept technical change Courtaulds would respond by relocation or rationalisation. But on the shopfloor, according to Mick Walsh:

> 'there was no optimism - it was a case of well at least we are going to save x amount of jobs out of it.'

Shop floor attitudes to the new technology had been conditioned to a large extent by previous closures and rationalisation. In this context, opposition to the introduction of new technology would have jeopardised the

competitiveness of the mill and the remaining jobs with few tangible gains. Nevertheless, other issues surrounding the introduction of the new machinery such as job reallocation, redundancy, pay levels and multi-skilling became the focus of discontent which eventually opened up significant ruptures and fissures between the old ATWU negotiators and the workers at the plant.

9.2.4 Redundancy: contradictions between the union and workers.

The introduction of new technology has massively reduced the numbers employed at the mill. In July 1987, 90 people were employed at the mill compared with 265 in January 1986. Senior management, though, wanted to absorb the displaced workers through redeployment, natural wastage and a limited number of voluntary redundancies. Consequently, a minimal redundancy pay deal was negotiated with the union (a maximum of six weeks pay on top of the statutory redundancy pay) to discourage those attracted to the option of redundancy. An upheaval allowance of £25 per year of service was agreed for workers redeployed to other mills (except those moving to Maple Mill One). Moreover, recruitment at other Oldham mills was temporarily frozen to ensure a guaranteed supply of jobs for redeployed workers.

According to the Personnel Officer, 90 people were made voluntarily redundant after being offered the opportunity to retrain, 53 were absorbed through 'natural wastage' and 44 were redeployed to other mills (21 to Maple Mill One). The mill management felt that the redundancy issue had been the most divisive and troublesome mainly because many workers

(in particular Asian males who it was argued wanted the money to start their own businesses) wanted the redundancy money rather than redeployment. According to the management, they attempted to mobilise the shop stewards to press for redundancy money which was contrary to the objective of union officials to preserve as many jobs as possible. The shop steward at the mill was aware of the contradictions that this posed for union strategy and policy:

> 'It is pretty hard for a union official to turn around and say you should be allowed redundancy and..fight for redundancies but the people themselves were asking for this. They wanted redundancy.'

He argued that workers felt the company was not preserving their jobs but offering them alternative ones which were not necessarily regarded as desirable. Moreover, it appeared that many workers had formulated their own individualist strategies to deal with the job losses. According to the shop steward:

> 'a lot of people thought - they are pretty sharp - well if Courtaulds can find 150 jobs in 12 months (at other mills) then they must have a high turnover of labour and...if I get my redundancy and sit tight, then I'll just trot in, in a few months time which is happening in a lot of cases.'

High rates of labour turnover would allow additional workers to be taken on after receiving redundancy money. The shop steward argued thus:

> 'Courtaulds have got a shocking record on turnover. They pay bad wages, no matter what they say, their record is absolutely disgraceful, compared to other industries. Textiles, in general, the turnover of labour is shocking.'

An additional factor that persuaded workers to opt for redundancy was the probability that the company would continue to rationalise production capacity throughout the 1980s. The shop steward argued that Courtaulds:

> 'have got a definite programme of rationalisation.

> In Number One mill they are talking of 40 odd people being phased out in various jobs...'

and this was not because of new technology but cost savings.

9.2.5 The Significance of Pay

The discontent and bitterness, which the shop steward regarded as permeating all aspects of the negotiations, crystallised around the issue of pay rather than the introduction of the new machinery. Initially, the shop stewards at the plant aimed to negotiate a substantial rise in the basic wage, with shift pay and overtime as supplementary premiums. According to Mick Walsh, the company was arguing that:

> 'this was going to be the most modern plant in Europe ...we turned round and said well if...we are going to lose two thirds of the people that are employed ...then there are going to be substantial rewards for the people who are left because...this will be the precedent...'.

In contrast, the company's objective was to negotiate a relatively low increase in the basic wage but with high shift premiums. The shop steward argued:

> 'we did not think these were excessive wages... We were asking for £200 initially, based on a £175 basic wage...but we did not think those were excessive for the most modern mill in Europe.'

The company's original pay offer of £135 for ancillaries and £150 for production operatives was rejected by both the workers and the ATWU officials who attempted to get this offer increased by £5. A final offer by the company was declared, however, and so the union members at the plant voted on the issue of industrial action. According to the shop steward, the necessary two thirds majority was forthcoming but:

> 'behind the scenes, the stewards were finding out that people were not prepared to back it up, so there was a hell of a lot of bluff involved at that time.'

At one point during the negotiations, the company threatened to write to each individual worker to inform them that unless they accepted the offer and attended work it would be assumed that they were in breach of contract. According to the shop steward:

> 'We then had to call a meeting pretty rapidly of everybody that was going to be involved -...the apathy...there were people actually in working on overtime while that meeting was going on - shocking attendance.'

The bitterness over pay did not result in industrial action because of a complex mixture of fear and apathy. At the time of the negotiations, the shop steward felt that the management knew of the employees' resentment but were content to exploit their reluctance to take industrial action, particularly

> 'with people queuing up for these jobs..at the time, people from within this mill were queuing up for the jobs. There was a tendency to start wavering.'

Moreover, this was exacerbated by the knowledge that the remaining workers would materially benefit from the re-equipment. The shop steward described it as an

> '...I'm alright Jack feeling, don't rock the boat... ...it's not much when you add it up, £30 odd..but they are starting to make commitments with that £20 or £30. The novelty has worn off now, that £20 or £30 is committed to the car or to the house...you can see it, don't rock the boat..'

The ambivalence over industrial action was supplemented by divisions between workers. The packers, for example, were hostile over the pay deal because they were classified as ancillary operatives and on a lower basic pay rate than machine minders.

Eventually, £167 was negotiated for machine minders which, after the 1986-87 pay rise of 5.5%, culminated in an average wage of £175 per week. Currently, machine minders are paid an average of £185. More importantly, the pay negotiations marked a break with customary differentials, particularly the complex proliferation of pay grades in the industry. These have been completely rationalised and all production operatives are now classified as either machine minders or ancillary workers (packers/handlers etc.). The basic rate for machine minders is 14% higher than the rate for ancillary workers and the pay differential that had previously operated between spinners and carders has now been abolished. Nevertheless, the union members at the mill were still not satisfied by the pay deal because they wanted an average wage of £200 inclusive of a shift premium.

The GMB district official who now represents members at Maple Mill, (with the amalgamation, many of the old ATWU officials had retired) Pat Jenner, also argued that workers at the plant were still very unhappy about the pay deal and admitted there had been fundamental differences between union officials and shop stewards about the pay issue. According to Mick Walsh (shop steward), a former district official argued at the time that:

> 'you cannot have a quantum leap and suddenly appear well paid..and we (the shop stewards) said well if you don't do it now..based on their (Courtaulds) past record then you are not going to get it because...you will get your £30 and they will start whittling it away. They will add extra duties on and... rationalisation will appear in the future...'.

The former General Secretary of the ATWU (Jack Brown) who negotiated the pay deal did not wish the plant to become

established as an elite mill in terms of pay. But Pat Jenner disagreed with this strategy, because the negotiations at Maple Mill and the pay rise had set a precedent for negotiations over the re-equipment of other mills. It appeared that some union officials (including Mr Jenner) wanted to negotiate a larger pay increase for just the Autocoro operatives rather than for all machine and ancillary workers. In any case, it was felt that the union should have persisted in its claim for £200 but that it could have been phased in over a three year period. The dispute over pay opened up significant fissures over strategy between the union officials and the shop stewards at the plant. But the rationalisation of pay grades at the mill was also connected to the realisation of a much wider managerial strategy, notably the attainment of a 'multi-skilled (sic) workforce'.

9.2.6 Flexible working: an intensification of labour?

The introduction of new machinery was clearly an opportunity for management to facilitate a degree of functional flexibility amongst the workforce. It was envisaged that flexibility would operate between workers classified as machine minders (ie. between draw frame/carders and spinners) and between ancillary workers. The old ATWU union officials appeared in 1986 to be in broad agreement with management over the desirability of flexibility. Jack Brown, the former General Secretary, argued in favour of unit teams responsible for a combination of machines and a pay structure whereby all direct labour would be on the same basic rate.

But in the summer of 1987, these negotiations appeared to be as conflictual and as bitter as those over pay. The shop steward at the plant pointed out that:

> '...we still haven't come to any final agreement on work levels, loading ... This is the sort of thing that drags on and on. No doubt management will say they haven't got the plant fully operational yet. The atmosphere has changed completely...you don't see people smiling anymore.'

The Head Overlooker at the mill pointed out that the aim was to increase the workload of individual machine minders, and that each person would be responsible for more machines. Hence, it was envisaged that with the Autocoro machines, one man (sic) would now look after twenty machines rather than the previous ratio of seven machines. Flexible working had been introduced by the end of 1988 but it appears from a recent report that neither functional flexibility or the new shift system were particularly popular (FT 5.12.88). According to one worker (a draw frame tenter):

> 'It's hard enough what we're doing now. But what we're going to be doing will be even harder....The hours are unsocial; it's noisier; dust has improved but not a great deal...Doing nights is not good for anybody..If I had a choice I'd go back on days.'

He argued that multi-skilling involved more work and heavier loads (ie. it was argued that the 30 kilo tubs of half finished yarn which are lifted off the production line are fuller and heavier than previously) but the quality and enjoyment of work had not improved. An Autocoro operative who was being retrained to operate the draw frames complained of deskilling and the fact he was working harder than previously:

> 'There's nothing much to enjoy in the cotton industry. All you have to do is work for a living.'
> (FT 5.12.88)

Management had therefore used the introduction of new machinery to intensify the pace and scope of work at the mill. The shop steward pointed to other examples which reinforce the perception of labour intensification:

> 'over the past seven years,...they (the company) have started tightening up, cutting down on the workforce, and tightening up over petty things. There is a move afoot to bring in time clocks which they have never had before, chasing people on particular jobs. The pressure is on them (workers) now and it is building up. People tend to look at Courtaulds as a very low paying firm that made vast profits and they look at the multinational aspect of it.'

The deterioration in relations between Courtaulds' management and workers at the mill does not appear to have been alleviated. The shop steward argued that the bitterness originated several years ago when it was rumoured that the mill was to be re-equipped and management failed to consult the workers or the union. The shop steward argued:

> '...I don't think they'll ever get the atmosphere back (at the mill). I can't see it until there is a complete change of operatives...there is just an undercurrent you feel all the time. You couldn't channel it in any direction. Management can't channel it. They can't channel it into support...they had a film show for everybody and we were all given Courtaulds' badges...No matter what is happening people are not prepared to tip the scales.'

This contrasts with the personnel officer's perception that only minor 'teething' problems with the new machinery had affected workers' morale and low levels of labour turnover and absenteeism demonstrated that workers were relatively content at the mill.

The negotiations at Maple Mill established a precedent which is being extended to other mills currently undergoing similar re-equipment. At the Swan Lane plant the union and

management negotiated a pay deal in November 1988 based on a single grade 'multi-skilled' workforce (FT 23.11.88). The traditional grading of direct and indirect textile operatives and the myriad of different payments associated with different grades has been replaced with an agreement whereby all employees earn the same basic pay. All day workers earn a common shift premium, as do all night workers. Employees are organised in teams and supervised by a team leader. Management view such deals as a way to improve industrial relations and reduce the time involved in negotiations and openly state that they wish to extend such arrangements to cover the majority of plants. The present GMB regional organiser for the Textiles Division, Mr Bob Trotter, argued that the union had been forced to come to terms with the concept of a multi-skilled, single grade operative because of the introduction of new technology.

9.2.7 Pay: the emergence of industry wide militancy

The introduction of new technology at the Maple Mill plant indicated that hostility centred primarily around the issue of pay rather than the machinery itself. Conflict over pay at the mill did not translate into industrial action. But bitterness with successive pay deals negotiated with the British Textile Employers' Association (covers 120 employers, of whom Coats Viyella and Smith and Nephew are the largest) and Courtaulds (who has negotiated separately with the unions in spinning and weaving since 1981) led in May 1988 to the first large scale disruption in the cotton textile industry since the early 1940s.

The textile and clothing industries are one of the lowest paying sectors within British manufacturing, as table 56 demonstrates.

Table 56: A Comparison of Average Hourly Earnings in Textiles, Clothing and Manufacturing Industry, 1987.

All Full Time	Average	Avge. Earnings as a % of full time workers in all manufacturing
Manual Workers:		
Textiles	327.4p	77.5%
Clothing	279.3p	66.0%
Full Time Manual Men:		
Textiles	366.3p	86.7%
Clothing	339.7p	80.5%
Full Time Manual Women:		
Textiles	270.1p	63.9%
Clothing	259.8p	61.5%
All Full Time Workers - All:		
Manufacturing	422.7p	

Source: Department of Employment Gazette October 1987 survey

Moreover, over the period of the recession, earnings declined both in real terms and in relation to the earnings of other groups of workers. During 1979-85, earnings fell in relative terms compared to levels in manufacturing, as the figures below demonstrate.

Table 57: Average Hourly Earnings in Textiles as a percentage of average hourly earnings in manufacturing, 1979 and 1985

	1979	1985
Full time manual men	89%	81%
Full time manual women	94%	88%

Source: New Earnings Survey 1985

The unions cooperated with low pay increases, which were effectively real wage cuts during the recession on the implicit understanding that workers would be materially compensated during any post-recession recovery. In the ATWU's last annual report before amalgamation with the GMB it was stated that:

> 'For a number of years we, as a union have recognised that the employers, because of recession and poor profitability were genuinely unable to meet in full what to us were legitimate claims. We had nursed the hope, and belief, that if circumstances improved we would be able to make up lost ground and to narrow the gap that has grown in pay differences between our members and those engaged in manufacturing industry in general.' (1985:5)

This 'moral' understanding disintegrated in 1985, a year of relatively buoyant activity in the industry, when employers pegged the annual pay increase below the increase in the cost of living. Eventually, discontent with pay levels culminated in the strike of May 1988, when 73% of GMB textile workers voted for industrial action with only 8 out of 81 sites voting against. The industrial action affected a total of 11,500 workers represented by five trade unions. The union claim included an £11 a week increase which represented a rise of 10.4%. The BTEA were offering a 5.5% increase, and a £5 increase on minimum earnings of £78.50. The industrial action took the form of 24 hour stoppages held every week until management returned to the negotiating table. The strike also spread to Courtaulds and by 1 June more than 3,000 workers at Courtaulds mills had stopped work indefinitely. At this company, the GMB were seeking a pay increase of 10.4% for shift workers and a £10 a week increase for low wage earners. Courtaulds made a 6.5% 'final offer'. The union claimed unanimous support with all of the

21 Courtaulds mills closed.

The dispute engendered disunity within the BTEA. Smith and Nephew negotiated the first breakaway settlement with the unions and offered 6.5% or between £10 and £13 a week for lower paid employees and an extra days holiday a year. Eventually separate deals were negotiated with seven other companies, all of which improved on the BTEA offer ie. 6.5% to most workers and more (£6 to £10 a week) to staff on the lowest wage scales. By the end of the dispute, thirty of the 120 plants had settled outside the auspices of the BTEA.

Courtaulds eventually offered workers an increase of 5.5% and a local productivity rise of 1.5%. The current minimum earnings level of £78.60 was to increase by £10 to £88.60. The company stated it would try to accelerate the process of productivity bargaining at its plants. A majority of 58% voted in favour of the company's pay offer (1,991 to 839) and by 21 June, a ballot of the TGWU and GMB showed a 54% majority in favour of the BTEA's offer which would raise most workers' pay by 6.5% and provide a minimum earnings level increase of £6.50.

Courtaulds' workers rejected the suggestion that the strike was purely the result of the GMB's greater organisational ability. According to one worker at Fox Hill, Oldham: 'The union has done nothing to us. Courtaulds has made us feel as we do.' The strike was motivated by other issues in addition to pay, notably the company's savage retrenchment programme and the deteriorating condition of workplace facilities such

as canteen and rest areas (FT 4.6.88).

The dispute was characterised by several important features, notably the effective disintegration of multi-employer bargaining and the overt disunity of the BTEA. Although Smith and Nephew, one of the largest employers in the BTEA, had improved on the minimum earnings deal by £10, the unions indicated that they did not favour a transition from multi employer to company level pay bargaining which would effectively erode any notion of industry wide standards. But the reality is that Courtaulds has already introduced variations in basic rates and skilled rates according to local circumstances, and the terms of the 1988 pay deal - with its emphasis on local productivity bargaining - will exacerbate this trend.

The strike signified the emergence of the GMB as a considerable force in the industry and demonstrated that general unions can facilitate industrial action by virtue of their possession of superior material resources which overshadow the smaller, fragmented textile unions. Nevertheless, although the average wage rise over August 1987 to June 1988 of 6.35% was slightly above the general level of settlements in the economy (6%) the industry is still way down the league table of pay rates. Nor are low basic wages made up by superstructure payments, such as overtime or shift premiums. Clothing and textiles remain two of the worst paid sectors of British manufacturing industry.

9.3 Summary

Modernisation of the production process at both the hosiery and cotton spinning plants has been accompanied by the recomposition of capital-labour relations. In hosiery, pay and performance levels have been substantially reorganised, with the clear objective of tightening up the relationship between wage rates and labour productivity, and increasing the work levels of individual employees on particular jobs. Pay grades have also been rationalised and simplified. The restructuring of pay and performance levels, and measures to raise throughput involve an intensification of labour which, combined with the deployment of more automated technology, will boost productivity levels and displace labour. Female labour will be disproportionately displaced from employment at the company because of the increasing automation of the work process, and the rationalising impact of the work study exercise and quality control system.

In cotton spinning, the technical reorganisation of the production process has the potential to double labour productivity and since this was not linked to any increase in the factory's output, employment levels have been dramatically reduced. This has also been associated with the rationalisation and simplification of a series of multiple pay grades into two single grades, and the introduction of functional flexibility amongst the remaining workforce. The aim is to increase the workload of individual machine minders, and to raise the ratio of machines to workers. In terms of the relative position of particular workers, it is clear that although male workers have been affected by the

job displacement impact of technology, they have secured the majority of the remaining jobs. This is the result of complex long term shifts in the gender and ethnic composition of the workforce at the level of the industry, which partly reflect changes in working hours due to the extension of shift working.

The dynamic process of change at both plants has been mediated in various ways by the responses of workers and trade unions to these developments. In cotton spinning, the chance of higher pay and better conditions for the remaining workers and the possibility of redundancy money which about one half the displaced workers wished to take despite the offer of redeployment, overcame any potential resistance to the re-equipment of the mill. Shop floor attitudes to the reorganisation of production have been inevitably affected by previous closures and rationalisation.

This was very much the case at the hosiery plant. Acquiescence to change had been partly conditioned by the recession of the early 1980s, and the perception that new technology was an inevitable development which would benefit workers by preserving jobs. Nevertheless, 'acquiescence' tends also to coexist with discontent and latent conflict. In cotton spinning, oppositional strategies crystallised around the issue of pay rather than the introduction of the new machinery. Negotiations over pay opened up important cleavages between union officials and shop stewards at the plant, who wanted technological change to result in substantially higher basic pay rates. The dominant

perception of workers was that Courtaulds was content to modernise production, whilst perpetuating low pay. Moreover, management had used the introduction of new machinery to intensify the pace and scope of work. Nevertheless, at the time of the pay negotiations, workers were unable to exert the necessary collective pressure on management so that pay rates could be raised to an 'acceptably' high level.

The trade unions involved positively support company strategies that enhance the competitiveness of UK manufacturing units in the hope that the jobs of union members will be preserved. Both organisations had faced rapid rates of decline in union membership during the recession, although in cotton spinning, this had been occurring for many years and had eventually threatened the viability of the union itself. Moreover, the main response of both unions to the crisis of the industry in the 1980s had been to stress the job displacement impact of low cost imports and to campaign under the umbrella of the TUC textiles and clothing industry committee for stricter import controls.

The relocation of hosiery and knitting production overseas preoccupied the hosiery union more extensively than the cotton spinning union. But the deployment of capital intensive production methods in the UK was favourably viewed as a process which could stem further relocation. Large companies like Courtaulds and Coral were perceived as the 'advanced' sector of the industry offering better terms and conditions of employment than unregulated, unorganised,

sweatshops - an increasing feature of the industry during the 1980s. But Courtaulds was also presented as an employer which had become increasingly 'macho', often dispensing with consultation and negotiation with the union on major issues such as redundancies, rationalisation or technological investment. The NUHKW felt that the introduction of new machinery had been used by the company as an opportunity to introduce new work measurement systems with the precise intention of reducing piece rates. This impression of a company increasingly favouring the implementation of 'unilateral' decisions was crystallised by its announcement in 1987 to terminate established industrial relations procedures contained in a document stipulating industry wide standards. Henceforth, negotiations were to be devolved to the level of the individual subsidiary.

The prevailing structure of trade unions in the textile industry means that a company, such as Courtaulds, is not confronted at any level by an inter-union forum or negotiating committee. The fragmentation of trade unions in the textile industry impedes the formulation of common policies and strategies towards the problems posed by the rapid and profound restructuring of companies like Courtaulds. The strategic unity of the unions tends to coalesce solely around the presumed necessity for import controls. Courtaulds' policy of devolved bargaining with little centralised control over industrial relations means that negotiations occur at a local level despite the fact that competitive strategies concerning rationalisation, and technological investment are formulated at a divisional or

corporate level.

This indicates that the 'national' organisation of unions in the industry has been hopelessly fragmented at both a sectoral and regional level, with little cooperation occurring between these bodies except through the organisational structure of the TUC and its industry committee. But fragmentation at a national level also coexists with infrequent and perfunctory links between trade unions at an international level.

The international orientation of textile trade unions mostly rests on union support for social clauses within trading agreements such as the Multi Fibre Agreement. The TUC's social clause proposal has been received with some hostility in developing countries who regard it as another form of 'backdoor' or 'discriminatory' protectionism (International Labour Reports 1986). Moreover, the TUC does not really address how social clauses should be monitored or enforced on an international basis. The emphasis on the reformulation of trading agreements though tends to neglect the formulation of international links between textile and clothing workers based in LDCs and developed economies. Unions do have an international trade union structure through which information and support are channelled but the International Textile, Garment, and Leather Workers' Federation has very limited resources and does not organise company councils to link workers in specific multinationals, unlike some international bodies. Its effectiveness has also been neutralised by long standing political divisions.

The difficulties that multinationals pose for trade union organisation and strategy should not be underestimated. Calls for international solidarity and organisation are often little more than empty slogans accompanied by few practical or workable proposals. International union cooperation is in any case vulnerable to national and local economistic concerns, particularly in industries facing long term decline and rationalisation and during periods of recession. According to Haworth and Ramsay:

> 'international solidarity is...generated largely between organisations with compatible interests, not something welling up from rank and file demands or initiatives. So far from being given ground in which to flourish by the exigencies of the recession, it retreats, since local economic interests no longer appear so mutual.' (1986:65)

The intensification of competitive pressures in the textile and clothing industries during the 1970s and 1980s has not been particularly conducive to the formulation of international links or mutual understanding between unions and workers in LDCs and the developed countries. As we have seen, even within the context of the UK, unions have been hopelessly fragmented, with large and international producers, like Courtaulds, able to formulate strategy at a corporate level whilst confronting workers at the level of individual plants and subsidiaries. The thrust of the company's industrial relations policy is to enhance the isolation of workers and the disunity of the trade unions in the industry. In short, the stark reality is one of sectorally based trade unions operating within a national context, whilst confronting a set of increasingly internationally oriented producers. It is hardly surprising then that the chairman of one British textile multinational

is positively sanguine about the relationship between the company and its trade unions.

> 'I have enjoyed good labour relations and I would not label the unions as being a serious problem for anything that we have been trying to do in my time at Courtaulds. The textile industry has been declining overall since the Second World War...So many years of struggle have induced realism on the part of managements and the unions which have made for a much greater acceptance of the need to tailor capacity to what can be sold than perhaps exists in other industries.' (Interview with the present chairman of Courtaulds, Knitting International September 1984)

The forces of inter-capitalist competition and the responses of workers and trade unions facilitated the technical reorganisation of the production process at two of Courtaulds' textile plants. But textiles and clothing at an aggregate level still constitute one of the lowest paying sectors of British manufacturing industry, and a relatively low waged, low productivity sector internationally. The analysis of the industry's long term decline indicates that fragmented and weak trade unions may have been an important part of a set of crucial impediments operating against the transformation of the sector to a modernised, highly productive industry. The utilisation of 'cheap labour' as a component of short term, cost cutting strategies, reduces the pressure on firms to economise on costs by modernising the industry's productive base. This has militated against the deployment of advanced technologies and the adoption of production methods capable of sustaining long term, dynamic efficiency.

But capital-labour relations are not static and potentially important changes are occurring within the structure of

textile trade union organisation. The severity of the industry's long term decline has encouraged the smaller textile unions to merge with general unions, such as the GMB and the TGWU. The dispute over pay in June 1988 in the cotton textile sector - the first bout of industry wide strike action since the 1940s - was characterised by several important features, notably the effective disintegration of multi-employer bargaining and the overt disunity of the employers' association, but it also highlighted the emergence of the general union, the GMB, as a considerable force in the industry. Large general unions are able to mount and carry through effective industrial action previously beyond the material resources and organisational ability of the smaller, fragmented textile unions.

Chapter Ten: Conclusion

The aim of this chapter is to draw out the connections between the theoretical debates introduced in chapter one, and the substantive focus of the thesis, namely, an account of the interplay between economic imperatives articulated at the level of the international industry and the long term, relative decline of British textiles. The analysis of the industry has raised several problems with the existing theoretical literature. These concern the lack of a developed, integrated perspective on international structural change and uneven development, and, in particular, the manner in which analytical categories are elaborated to mediate between these two distinct levels of analysis.

10.1 Internationalisation and 'new divisions of labour'

Two distinct perspectives on international structural change, ie. neo-Smithian and neo-Ricardian, were presented in chapter one. Both conceptualised the structural transformation of the world economy in terms of a new international division of labour, characterised by the integration of LDCs into the world capitalist economy as exporters of manufactured products and as sources of 'cheap' labour power. The neo-Smithian variant drawn upon a world-systems framework to argue that the world economy constitutes a single integrated global system with world markets for labour and production sites. The mechanism underpinning the new international division of labour is the Babbage principle which refers to the decomposition of the production process into a series of deskilled, fragmentary

tasks, which are then allocated on a global basis to the cheapest labour force. The neo-Ricardian perspective presents the new international division of labour as a locational response by predominantly 'footloose' multinationals to rising costs, notably higher wages, and falling profitability in the developed economies. But both converge in highlighting the key role of multinational capital in 'relocating' production out of higher waged economies into countries where there is a plentiful supply of cheap labour.

These debates are directly relevant to any analysis of the industry. Frobel, Heinrichs and Kreye (1980), in particular, draw upon the textile and clothing industry as a typical manifestation of the new international division of labour. As we have seen, multinational corporations continue to play a pivotal role in the industry's development but their expansion cannot be exclusively related to an inexorable search for lower waged labour underpinned by the fragmentation and relocation of production. Such explanations underplay the contradictory nature of capital accumulation, and the imperfect and partial nature of competitive strategies.

The analysis of the industry indicates that the internationalisation of textile and clothing production has assumed a number of forms and has been driven by a multiplicity of factors. Foreign direct investment has been primarily motivated by access to foreign markets, and the bulk of overseas investment by OECD textile firms tends to

be located in other developed countries rather than LDCs. International subcontracting, which more closely approximates a strategy designed to reduce labour costs, tends to have been unevenly adopted by firms in the developed economies, and evidence indicates that it has resulted in problems for multinational corporations because of the arms length nature of the transactions involved. The economic costs of subcontracting arrangements are associated with the loss of managerial control over production which are typically accentuated when process specialisation and the fragmentation of production occurs on an international basis (cf. Marglin 1976, Williamson 1980). Investment in lower waged LDCs has also generated demands for rising wages, expansion of unionisation and industrial conflict. In short, competitive strategies based on 'cheap labour' often have contradictory effects.

Textile firms have embraced other forms of internationalisation such as cross-national licensing agreements, which do not necessarily involve investment in overseas markets or relocation of production. Again, other agencies - such as large retail firms and trading houses - have been important to the process of internationalisation through the global sourcing of textile and clothing products.

The process of internationalisation in the industry has therefore developed unevenly; its pace both facilitated and impeded by the cumulative actions of supranational and national economic and political agencies. The thesis

highlighted the ambiguous character of state intervention in the industry in developed economies which has heightened the tensions and contradictions integral to the process of capital accumulation.

Protectionist agreements, like the Multi Fibre Agreement, have sought to close off or restrict the access of low cost producers to the markets of developed economies. Such strategies, though, have contradictory material effects which have intensified rather than stabilised international rivalries in the industry. In particular, protectionism has facilitated the establishment of Third World multinationals and foreign direct investment to developed economies and lower cost LDCs. This points against the conceptualisation of developing countries as a homogeneous bloc, or as extended workbenches for First World multinationals. The evidence suggests an increased interlinking between companies in the developed economies and the NICs, motivated by the need to transcend obstacles to their expansion by gaining access to markets denied to them by protectionist agreements or tariff barriers. The outcome is a process of uneven development, both between and within individual economies.

The complex nature of the industry's internationalisation highlights in a particularly acute way a number of flaws in the theoretical literature on multinationals and the new international division of labour. A unique emphasis on the Babbage Principle and the fragmentation/relocation of production designed to reduce labour costs ignores the

significance of technological developments in raising productivity and reducing unit production costs. As we have seen, there has been a long run trend in the textile industry towards more capital intensive methods of production.

In an incisive critique, Jenkins (1984) argues that the neo-Smithian and neo-Ricardian perspectives give a partial and misleading interpretation of the internationalisation process because they focus exclusively on the sphere of circulation (ie. exchange and distribution) and neglect developments in the sphere of production. They tend to be overly preoccupied with mechanisms to increase the extraction of absolute surplus value, such as the intensification of labour and the reduction of wages with little comprehension of the role of technical innovation in the capital accumulation process. Yet, as Jenkins (1984:33) points out, reducing labour costs by the fragmentation and relocation of production processes is only one possible strategy available to capital and may not be dominant. Other writers (Fine and Harris 1979:37) link the dynamism of capitalism to the introduction of new techniques of production. Such processes, rather than the Babbage Principle, constitute the general imperative of capitalist development, in the sense that capitalism is characterised by the continuous transformation of the labour process. New technologies, in other words, may impose serious limitations on strategies of accumulation based on the fragmentation and decomposition of labour processes and their relocation to LDCs (Jenkins 1984, Kyoung Cho 1985, Lipietz 1987).

New international division of labour theories also tend to focus on only one aspect of the internationalisation of capital, namely, the internationalisation of productive capital. As such, they ignore the internationalisation of money and commodity capital which, together with productive capital, collectively constitute the internationalisation process. Jenkins (1984) argues that the three circuits of money, commodity, and productive capital can be linked to different forms of internationalisation; the growth in world trade, growth in the export of means of production, particularly fixed capital from developed to developing countries (commodity capital), the growth of international capital movements, such as the expansion of currency exports and Eurodollar market, the increase in bank lending to NICs in the 1970s and their indebtedness (money capital) and the growth of multinationals and the international circulation of products within subsidiaries of multinationals (productive capital) (cf. Palloix 1975). At an international level, there has been a new integration of transnational banks and multinational corporations with the diversification of banking capital into industrial activities, reinforced by the growth of interlocking directorates. Andreff (1984) has conceptualised this as an acceleration in the centralisation and concentration of capital at an international level through the emergence of transnational finance capital.

Elson (1986a) has used a 'circuits of capital' approach to analyse the complex amalgam of strategies multinationals may utilise to enhance their profitability. She argues that the

international subdivision of the production process is but one form of the internationalisation process. In response to declining domestic profits, firms may internationalise the circuit of money capital by buying up existing productive assets operating at cheaper sites or they may internationalise the circuit of commodity capital by sourcing products from lower cost production locations. At the same time, or instead of internationalisation, a firm may transform the circuits of capital by introducing new technologies. The analysis of the three British multinationals presented in section C emphasises this option. In terms of the balance between UK and overseas activities, the discussion highlights important differences between Coats Viyella, Courtaulds and Tootal. This points against characterisations of British textile multinationals as inherently 'footloose' with the world economy as the passive object of their geographical ambitions (cf. Massey 1986).

10.2 The transition to neo-Fordism and flex-spec

Regulationists view the historical development of capitalism as being punctuated by 'structural breaks' or 'organic crises' which are the product of multiple contradictions within production, and between production, exchange and distribution. The current structural transformation of the world economy is attributed to the disintegration of Fordism, and the transition to a new 'mode of regulation' described as neo/post Fordism.

Although regulationist analysis is situated at a relatively abstract level of analysis, attempts have been made to harness the conceptual categories of Fordism and neo-Fordism to capture particular features of the reorganisation of individual industries and companies. Whilst the theoretical tools of analysis differ, both regulationist and flex-spec perspectives converge in their descriptive account of the current period of industrial restructuring.

Combining both regulationist and flex-spec analysis, Murray (1985) (1987) has drawn upon the example of Benetton as a prime exemplar of a new form of industrial organisation, based on the utilisation of integrated information technologies, a putting out system of production, and the close coordination of manufacturing and retailing through just-in-time production techniques. Dominance of the circuit of industrial capital now tends to be achieved by the control of information flows which is facilitated by computerised systems of distribution and sales. This has enabled the development of subcontracting and franchising arrangements, or control by 'contract' rather than 'ownership' (Murray 1987). In the context of textiles and clothing, Mitter (1986), Zeitlin and Totterdill (1989), and Zeitlin (1985) argue that firms in the developed economies are shifting to strategies of flexible specialisation underpinned by 'new' automation technologies. The implication is that LDCs are left to concentrate on the production of basic fabrics and mass merchandise clothing in line with their comparative labour cost advantage.

Other writers, whilst not necessarily fully embracing either perspective, have also focused on trends highlighted by regulationist and flex-spec analysis. The significance of new technologies, particularly their systemic ('systemofacture') or integrated characteristics have been emphasised by both Kaplinsky (1985) and Elson (1988a). The novel feature of current technological developments is that they enable coordination between the spheres of design, manufacturing and information/coordination which have previously been spatially separated and differentiated within modern industrial enterprises. Such factors have collectively shifted production to a new pattern of systemofacture (Kaplinsky 1985:133).

In an analysis of textile and clothing multinational corporations, Elson (1988a) draws upon aspects of Murray's (1985, 1987) and Kaplinsky's (1985) account of industrial restructuring. It is argued that textile and clothing multinationals are increasingly defining their function not in terms of manufacturing but more in terms of the co-ordination of decentralised production facilities with increasing emphasis on marketing, finance and licensing. This has resulted in a shift from the ownership of production facilities to control of the co-ordination of the circuits of capital underpinned by integrated information technologies.

An important theme of the thesis is the extent to which new technologies, and non-price forms of competition have led to the sort of substantive changes highlighted by these

writers. Two points have been made. Firstly, the harnessing of conceptual categories - such as Fordism, neo-Fordism, and flex-spec - to describe contemporary developments either within specific industries or companies is unsatisfactory. Secondly, the abstraction of particular empirical trends often occurs on a random and partial basis. Such trends are then subsumed within relatively stylised categories, which, it is alleged, mark significant 'structural' breaks in corporate behaviour, or new forms of industrial organisation.

The foregoing analysis of the industry indicates that international competition tends not to be characterised by clear cut shifts in comparative advantage or dichotomous relationships between the developed and developing countries. This is dramatically revealed by scrutinising the evidence on the diffusion of new technologies, and the application of allegedly 'novel' competitive strategies based on just-in-time techniques and the transition to 'upmarket' products.

A focus on the (re)locational movements of production between developed and developing countries represents an inadequate way of analysing the dynamics of technological change. The application of highly productive textile machinery in the developed countries has contributed to their overall net surplus in international textile trade. But it is difficult to substantiate the claim that technological developments have initiated a 'relocation' of production back to developed economies. It is more plausible

to argue that it has helped maintain particular branches of textile production in the developed countries but this is not synonymous with a massive shift in comparative advantage against LDCs.

The clothing industry is a different matter, however, with the rate of diffusion of microelectronic technology in developed economies being very much slower, and the high capital outlays involved in such capital investment being beyond the financial scope of the majority of (small) firms in the sector. Although there have been cases where microelectronic technology has been important in maintaining a firm's or a sector's competitiveness, there has as yet been no quantifiable impact on international trade patterns with the developed economies maintaining at an aggregate level a net deficit in clothing trade.

Moreover, there may be time lags involved in technological development, leading to the uneven diffusion and deployment of new technologies in LDCs, but governments and firms, particularly in the NICs, are actively involved in the restructuring of their industries. A number of Third World governments have introduced rationalisation and modernisation programmes to upgrade the capital stock in textiles and clothing.

Does the evidence suggest that Third World firms are being relegated to the production of mass produced, low cost textile and clothing products? One clear implication of the analysis of structural change in the industry is that the

production of high value added, high quality products, the adoption of non-price forms of competition and the utilisation of integrated, information technologies are not competitive panaceas for firms in the developed economies. In the context of slow growth in the industry, a number of textile and clothing manufacturers in the developed economies - although by no means all - have sought to maintain their market share by segmenting the market into heterogeneous niches. Firms have differentiated their products from those of their low cost competitors by shifting to the production of high value added, high quality goods. It has also involved engaging in other forms of non-price competition, such as the use of brand names to differentiate products both from unbranded imports and from retailer's brand names. Thus, rather than these developments reflecting the fragmentation of demand and disintegration of mass markets/production, it is argued that the segmentation of markets is very much an active strategy by firms to maintain or increase their market share.

The consequences for the international structure of competition in the industry are not necessarily as dramatic or as clear cut as writers have implied. The emphasis of flex-spec theory on the articulation of 'successful' corporate strategies, and their institutional preconditions in the developed economies underplays the different ways in which Third World countries are integrated into the world economy. As we have seen, a number of Third World firms, particularly in the Asian NICs, are also attempting to transcend and overcome constraints and obstacles in their

competitive environment. Not only has protectionism facilitated the establishment of Third World multinationals and foreign direct investment to developed countries and lower cost LDCs, but it has also encouraged LDCs to move upmarket, to increase the value of their exports because bilateral quotas limit export volume.

First World firms, therefore, cannot merely depend on maximising their geographical proximity to centres of demand or introducing time economies into the production and distribution of products. Far Eastern exporters are also implementing just-in-time production methods in an attempt to reduce delivery and lead times. This, in turn, will intensify the competitive pressures on firms in the developed countries who have shifted production upmarket. Thus, international competition in the industry constitutes a complex matrix of conflicting material interests mediated in various ways by national firms, governments, trade unions and transnational capital.

As the analysis of the decline of the industry in the UK makes clear, it is hard to identify with any degree of analytical precision, which sectors or firms of the textile and clothing industry are making the alleged transition from Fordism to flex-spec, or to substantiate the claim that there has been a long term shift in the dynamics of inter-industry competition. In fact, claims of a shift in comparative advantage towards UK producers based on strategies of flex-spec tend to be hasty extrapolations from short term trade trends. The evidence indicates that inter-

industry competitive relationships are not changing in ways that intrinsically favour domestically based UK manufacturers. Whilst non-price product differentiation strategies may have become more salient in the 1980s, the price competitiveness of textile and clothing products still appears to be an important determinant of retail purchasing patterns and sourcing policies. This could explain the reported increase in homeworking and small production units which utilise immigrant female labour on very low rates of pay. Low cost garments from the informal sector of the industry are intended to be price competitive with those obtainable from subcontractors based in LDCs. There is little evidence, in short, to connect such developments with a shift by retailers/manufacturers to design orientated, high value added, high quality production, characteristic of flex-spec strategies.

But is the emphasis by textile and clothing firms on marketing, and methods to coordinate production and distribution a particularly novel development? Chandler's (1977) historical analysis of the evolution of large-scale American enterprises indicates that an emphasis on the coordination of production and sales, and the marketing of products has been a relatively enduring feature of the strategies and preoccupations of modern corporations throughout the twentieth century. The integration of mass production with mass distribution initially took the form of mergers, verticalisation and the establishment by manufacturers of national and global marketing networks/purchasing organisations. The processes of

production, marketing and purchasing were therefore internalized within the structure of the firm. The form of integration of production and distribution may have changed - along with the evolution of 'new' technologies of coordination - but the emphasis by firms on the marketing of products and the matching of supply with demand does not constitute a new stage of industrial development or an intrinsically novel feature of corporate behaviour. It merely represents the continuous preoccupation of firms with methods to realise profits through the establishment of mechanisms to ensure that products are not just manufactured but also distributed and sold.

Multinationals then do not pursue 'homogeneous' strategic interests defined either in terms of an inexorable search for cheap sources of labour, or a concerted withdrawal from manufacturing production in favour of marketing, sourcing and distributional activities. The Benetton model of domestic subcontracting and international franchising is merely one way for a multinational corporation to co-ordinate production and distribution. It is not a universal tendency, nor necessarily the most significant. Belussi (1987:75) points out, moreover, that the evolution of Italian clothing firms, like Benetton, is very much dependant on factors specific to the Italian region in which the company operates, notably the labour market structure of Veneto and the proliferation of a set of comparatively poor work conditions which underpin the operation of the putting out system.

Whilst the strategies of the three British textile multinationals in the 1980s illustrate some similarities, particularly the tendency to scrap massive amounts of textile plant in the UK, there are also clear differences in the degree and form of internationalisation; the balance between textile and non-textile interests, and between their domestic and international activities.

Tootal has gone furthest in its withdrawal from textile manufacturing and the shift to international sourcing, marketing and distribution. But it is not clear that Courtaulds or Coats Viyella have embraced this strategy to the same extent. Despite the rationalisation of their domestic productive base, both companies still have an extensive manufacturing presence in textiles and clothing in the UK, and have attempted to modernise production through new systems of work organisation, and the deployment of computerised technologies. The shift by textile multinationals to high value added production and the modernisation of their UK productive base may have occurred too unevenly and partially to stem the industry's decline at the aggregate level, but it does constitute an attempt to revitalise profitability through a transformation of the circuit of <u>industrial</u> capital within the UK. This has of course involved an emphasis on product design and marketing. But the case studies of the two Courtaulds' plants suggest that the reorganisation of manufacturing production is also an important feature of current restructuring. A plethora of organisational forms and internal 'firm' structures are thus discernible in the industry which are determined by

historical circumstances, local and national specificities and international imperatives.

It is clear that multinationals in the industry are not the ossified, inflexible 'Fordist' dinosaurs that the flex-spec perspective implies, or the type of 'footloose' economic units suggested by new international division of labour theorists. The foregoing analysis indicates that there are problems in the way in which theoretical models of industrial restructuring selectively draw upon empirical trends. The application of analytical categories like Fordism, flex-spec/neo-Fordism and systemofacture involves the abstraction of partial trends which are then subsumed under simplistic ideal types or generalised in an ad hoc fashion to represent novel developments in industrial organisation or sharp 'breaks' with previous forms of corporate behaviour.

This, then, raises more fundamental questions over the way in which conceptual categories are elaborated to mediate between analysis of the international economy and the differentiated nature of national economies. The central argument of the thesis is that the fracturing of theoretical analysis around two separate axes of international structural change and national industrial performance has resulted in the absence of a synthetic treatment. Why has this been the case? And what problems stem from the elaboration of categories specified in new international division of labour, regulationist, flex-spec and the industrial decline literature?

10.3 The Dialectic between the International and the National

10.3.1 New International Division of Labour and Regulationist Analysis

As we have seen, new international division of labour theories adopt an explicitly internationalist view of the phenomena of deindustrialisation and economic disorder. Some world-system theorists (Wallerstein 1974, Frank 1980, 1981 and Amin 1977) take the extreme position that national economies are now fully subordinate to changes in the world economy.

It is clear that individual economies have been integrated into the world economy through the activities of multinational firms and banks. This means that nation states are no longer completely coherent or autonomous economic entities (Fine and Harris 1985, Radice 1984). But the key problem with an internationalist or new international division of labour perspective is that the connections between structural transformations occurring at the general and undifferentiated level of the world economy and the particular condition of national industries and economies is rarely problematised. The complex relationship between international and national economic forces is therefore blurred, with a supranational international economic system replacing the nation state as the basic unit of analysis.

Although the regulationist perspective presents a more nuanced consideration of the international and national dimensions of structural economic change, it does not as yet constitute a synthetic treatment. A key problem is that

regulationists differ as to the appropriate level of analysis for an exploration of the current period of structural change in the world economy.

Aglietta (1979) uneasily situates his analysis of capitalist development in the context of American history during the twentieth century. It is, however, unclear whether this is because the USA is regarded as a prime mover or exemplar of generalisable trends or whether the analysis is aimed purely at the successive modes of regulation/regimes of accumulation within a single nation state.

Such a formulation can be criticised on both points. Firstly, if Aglietta (1979) is positing that America exemplifies trends typical of global capitalist development, then the lack of consideration of the world economic system (the internationalisation of industrial and finance capital, the new international division of labour, development of the Eurodollar and the growth of multinationals) become very serious analytical omissions which cannot be displaced to other more concrete levels. In later writings, Aglietta (1982), asserts 'the primacy of the national dimension' with the world economy conceptualised 'as a system of interacting national social formations.' But it is the hegemony of one national economy (the USA) over the international economy which is central to his analysis in the sense that it determines the character of international and national economies. In the present crisis, the dissolution of the US hegemonic growth model is emphasised and connected to the emergence of destabilising international capitalist

rivalries.

The focus on the development of the USA and the diffusion of this regime of accumulation to other developed economies obscures both national specificities and an account of the complex processes which have informed the present development of the international economy. Andreff (1984) argues that by ignoring the integration of the Third World into the world economy, the regulationists fail to see that the convergence of monopolistic regulatory processes between national economies is largely due to the development of transnational banks and multinational corporations in the developed economies and NICs, and the growing internationalisation and centralisation of transnational finance capital.

Lipietz (1987) has tried to overcome these problems by attempting to integrate analysis of Third World developments into his account of the global diffusion and crisis of Fordism. But, in his account, the specificities of particular nation states are omitted, in an attempt to comprehend the international dimensions of structural disorder. Both de Vroey (1984) and Lipietz (1987) focus their analysis on global economic developments, and point out that the connections between national and world regimes of accumulation are immensely problematic. To Lipietz (1987) an analysis of the international crisis of Fordism is necessary, but it should be supplemented by the study of the specific characteristics of each social formation, and its relationship with the world economic system. This is a

project which, as yet, has not been undertaken.

This raises the question of whether a regulationist perspective can mediate between the general level of the world economy and the specific context of national economies? Is it helpful to periodise successive stages of capitalist development by means of heuristic ideal types, like Fordism and post-Fordism? Can these categories shed light on the differentiated pattern of individual economies, and the particular configuration of social and economic institutions which shape their development?

The analysis presented here supports the view that such an approach tends to degenerate into a descriptive reading of historical developments, rather than a theorisation of the turning points and contradictions of changing material circumstances (cf. Nolan and O'Donnell 1987). This is related to the tendency of inscribing 'logics' into patterns of accumulation which have characterised post war capitalist development. Categories, such as Fordism and neo-Fordism, are imposed on complex, contradictory economic and social phenomena. Empirical trends are arbitrarily integrated into a formal model thus ignoring the wide diversity and specificity of national patterns of capitalist development (Bonefeld 1988).

Lipietz (1987) acknowledges the importance of a non-functionalist approach to the new international division of labour which recognises the role of historical contingency and the (relatively) autonomous actions of economic agents

(eg. Third World states), but this is obscured by an analytical emphasis on the 'functionality' of Third World accumulation strategies (export led industrialisation) for the crisis management of Fordism at the 'centre'. The attempt to discern 'logics' of accumulation, and modes of regulation, partial or otherwise, within the world economy tends to shift the focus of analysis away from the multiple processes and complex strategies of individual companies and nation states and away from any notion of the uneven development of the world economy. Furthermore, the activities and strategies of the 'actors' within the global economy, such as multinational capital and transnational banks, remain in the background, with regulationist analysis focusing on these agents as 'bearers' of forces and relationships determined by the needs of a particular mode of accumulation, primarily Fordism at the centre.

The approach, moreover, fails to provide the analytical tools necessary to theorise industrial development at a differentiated, micro level. A regulationist perspective on the uneven development of the British economy emphasises the obstacles and blocks to the consolidation of an intensive regime of accumulation over the post war period (Dunford and Perrons 1986:57). But such explanations tend to harness the UK's relative industrial decline to conceptual categories which were not originally formulated for the analysis of the differentiated nature of individual economies and the specific character of national social and economic institutions which shape their development. Hence, analysis of Britain's long term decline tends to degenerate into a

descriptive and unordered account of Britain's industrial development and the factors which impeded the full application of a particular regime of accumulation (ie. Fordism).

10.4 Britain's Industrial Decline

From a very different standpoint, Britain's industrial decline has been explained solely in terms of a particular configuration of institutional relationships which emerged in the last quarter of the nineteenth century (Elbaum and Lazonick 1985). It has been argued that:

> 'Entrenched institutional structures - in industrial relations, enterprise and market organization, education, finance, international trade, and state-enterprise relations - constrained the transformation of Britain's productive system.' (1985:2)

The main emphasis is on how the structure of industrial relations and industrial organisation inherited from the era of Britain's international economic dominance impeded the structural transformation of British manufacturing industry. Thus, British firms failed to adopt modern technological and organizational innovations based on mass production methods and corporate forms of managerial co-ordination because of the institutional legacy associated with atomistic, nineteenth-century economic organization.

There are clearly many similarities between Elbaum and Lazonick's account (1985) of Britain's long run relative economic decline and flex-spec analyses of the competitive failure of British manufacturing (Hirst and Zeitlin 1989a, 1989b). Both tend to view the problems of the British economy in terms of nationally based, institutional

rigidities. The major difference is that Elbaum and Lazonick (1985) view economic decline as a continuous process beginning in the late nineteenth century, whereas flex-spec writers point to a historical 'turning point' in British economic development in the late 1960s. Thus, Britain's failure to adapt to the changing nature of competition, the disintegration of Fordism and the fragmentation of demand are critical manifestations of a series of institutional impediments to the transition to flex-spec.

Despite Piore and Sabel's implication that the shift from Fordism to flex-spec is a generalised transition affecting all economies, the dependence of both mass production and flex-spec on variable forms of institutional regulation has been emphasised by recent writers (cf. Hirst and Zeitlin 1989a). It is argued that:

> 'the technological dynamism of each model and its potentialities for future development cannot be evaluated outside of a definite institutional..context.' (Hirst and Zeitlin 1989a:2).

Thus, the categories of Fordism and flex-spec have been harnessed to explain the success (Italy, Germany) or failure (UK) of particular manufacturing industries. It is argued that the competitive failure of British manufacturing industry stems in large part from the destruction of industrial districts through successive waves of mergers and government-sponsored concentration (Hirst and Zeitlin 1989b). British management and government were dominated by a 'misguided' belief in the competitive advantages of large sized firms and the efficiency gains of scale economies. This has inhibited the possibility of flex-spec strategies in Britain by obstructing the formation of regional networks

of firms prevalent in Italy and Japan.

These explanations of Britain's competitive failure draw on similar analytical categories defined as a set of institutional impediments to the transformation of production but flex-spec analysis also constitutes a curious inversion of the Elbaum and Lazonick thesis. An historical account of Britain's decline implies that British manufacturers failed to shift to Fordism because they were enmeshed in productive strategies that bear a striking resemblance to flex-spec. Lazonick (1979) argues that in the late nineteenth century, Lancashire cotton textile manufacturers moved upmarket to finer yarn counts and adopted strategies of horizontal specialisation and a high degree of vertical disintegration. This impeded the pursuit of a cost cutting strategy based on the adoption of modern, high throughput technologies. The implication is that a concentrated and vertically integrated industrial structure - like the one exhibited by the US industry - would have facilitated the adoption of high throughput technologies, and eradicated the sector's technological backwardness.

But it is these very industrial districts, supposedly consisting of a network of 'cooperative' firms, which are currently being promoted by flex-spec writers as the potential basis for the regeneration of British manufacturing industry. This stands in sharp contrast to historical evidence which indicates that Lancashire textile firms eschewed the modernisation of production in favour of

short term cost cutting strategies (ie. wage cuts) and the intensification of labour on outdated equipment. The flex-spec approach to competitive failure therefore meshes with conventional explanations of the textile industry's decline. Both highlight the misguided and flawed strategies adopted by the large vertically integrated groups which came to dominate the industry during the 1960s and 1970s. An association is postulated between high concentration levels, the prominance of large corporations and 'inflexibility'. The implication is that the British state was also 'misguided' in its attempt to hasten the concentration and rationalisation of fragmented industrial sectors like textiles. Both draw upon ideal typical economic success stories, like Italy or West Germany, which are then used to make superficial connections between concentration levels, state intervention and economic performance.

The problem with these explanations is that they are inherently partial and one-sided. At the very least, they either ignore historical evidence or interpret it in a selective manner. As we have argued, large companies, like Courtaulds and ICI, intervened in an industry which was in a state of profound technological backwardness and was thus substantially uncompetitive. Such interventions also occurred against a backdrop of unsuccessful industrial reorganization by successive British governments and their ambiguous stance towards the formation of a concentrated industry dominated by large companies. Moreover, other commentators (Miles 1968, Fishwick and Cornu 1975) have asserted that the intervention of such firms had positive

effects, particularly their initial impact on capital expenditure and labour productivity. Such contrasting assessments of the impact of large firms on competitive performance point against explanations which centre on size alone.

There are more general problems with both an historically based 'institutionalist' account of industrial decline and flex-spec analyses. A one-dimensional analytical focus on nineteenth century institutional relationships tends towards a unilinear and deterministic view of historical development, which downplays the potential for the change and transformation of British industry during the twentieth century. As Fine and Harris (1985:11) argue:

> ...'the weakness of the British economy was not laid down like an old wine in the seventeenth, eighteenth or nineteenth century with the following years witnessing this weakness being brought to maturity as if the vintage were a bad one and the wine soured.'

In particular, such an approach obscures the significance of shifts in state intervention in the British economy, and changes in the relationship between the state, industry and organised labour over the post-war period.

Moreover, international economic developments, the integration of the British industry within a global system of production and the centrality of multinationals to the UK economy are displaced in favour of an analysis of 'internal' constraints which evolve within a purely national context. As Harris (1988:20) points out, multinational corporations are peculiarly central to the UK economy. The UK's stock of overseas direct investments is second only to that of the

US, whilst the UK is also a 'host country' to a large stock of assets owned by foreign multinationals, ranking third behind Canada and the US itself. Evidence suggests that foreign multinationals have orientated their investment strategies to take advantage of Britain's low labour cost position by locating relatively low skilled, low value added assembly work in the UK (Nolan 1989b).

Similar problems are present within flex-spec accounts of Britain's economic decline. The emphasis on the fragmentation of demand, small batch production, and the success of decentralised, regional economies composed of networks of small firms in Italy, Japan, etc. ignores any consideration of the trend to the concentration and centralisation of capital at the level of the world economy, the growth of manufacturing multinationals over the post war period and the increasing integration of industrial and finance capital in the form of transnational finance capital (Andreff 1984). There is therefore no convincing analysis of the role of international economic forces in the current period of structural change. This, as already mentioned, is a particularly serious omission in any analysis of the UK economy. The selective empirical evidence provided by flex-spec theorists does not demonstrate that scale economies in industrial production are no longer relevant. There is little evidence to suggest that widespread reskilling or the resurgence of cooperative industrial relations has occurred, although such phenomena are allegedly integral to the diffusion of flexible specialisation production methods.

In short, the flex-spec perspective is not primarily concerned with revealing current material and structural transformations in the world economy but is a prescriptive and speculative discourse concerned with the identification of successful competitive strategies and their (national) institutional preconditions. Rather than viewing industrial decline as the effect of a set of institutional 'rigiditias', a more convincing account would seek to analyse the interactions between the key social and economic agencies - labour, multinationals, finance and the state - which have been crucial to the emergence of the UK as a relatively low wage, low productivity economy. Such an approach cautions against a partial emphasis on one set of factors - industrial relations, or large firms - in favour of an integrated and more historically secure perspective on decline. It is hoped that the analysis of textiles has shown that the complex dynamics of restructuring and sectoral decline can only be understood in terms of a matrix of international structural forces, and a national configuration of social and economic relationships.

FOOTNOTES

1. Vertical integration by textile companies is clearly an attempt to link and control the complex nature of these production stages.

2. The most recent figures available for 1974-85 (Anson and Simpson 1988:54) indicate that the bulk of the increase in world spindle capacity has been in Asia. Spindle capacity in Western Europe, the USA and Japan has declined.

3. In Canada, the US and the UK, clothing expenditure rose as a percentage of total spending.

4. Frobel, Heinrichs and Kreye (1980) investigated 214 textile and 195 clothing companies. Over the period 1966-74, overseas employment more than doubled whilst domestic employment fell by one quarter. Hence, by 1974/75, 100 West German textile companies (45% of the total) and 125 clothing companies (75% of the total) were engaged in overseas production in the form of offshore processing or foreign direct investment.

5. This is defined by the OECD (1983:38) 'as an arrangement through which individual production processes are transferred abroad on the initiative of the supplier of inputs who is also the buyer of the transformed product'. If the offshore processing is carried out by an independent unit, it takes the form of subcontracting which guarantees both the supply of the input and the disposal of the product, thus limiting the risks and the benefits of the

subcontractor.

6. These figures underestimate the importance of international subcontracting for particular companies. Manhattan Industries, Phillips Van Heusen (two large shirt makers), Warnaco and Kellwood import approximately 30% of their total requirements from offshore assembly and overseas subcontracting operations.

7. In 1987, imports processed offshore rose by almost one sixth in value terms and accounted for over 9% of all French clothing imports. They were mainly from Tunisia (27%), Portugal (20%), Morocco, Mauritius and Hungary.

8. Chisholm et al. (1986) argue that a number of small firms in the London clothing industry are attempting to reduce labour costs by subcontracting production to Cyprus and Turkey. The cloth is cut in London and sent to Cyprus to be made up into garments. These are subsequently re-imported and finished in London.

9. It is estimated that Benetton directly employs about 1,500 employees with 300 subcontractors employing an estimated 15,000 to 20,000 workers (Belussi 1987:28). Workers employed by subcontractors tend not to be unionized. An agreement operates between local unions and Benetton, which stipulates that workers employed by subcontractors are covered by similar pay and conditions to those affecting Benetton employees.

10. A major cause of the export decline was competition posed by cheaper Far Eastern imports in West Germany's West European export markets rather than the effect of the higher dollar on direct trade with the USA.

11. Whereas in 1977 only 5% of a sample of leading textile companies had subsidiaries in LDCs, this had risen to 9% in 1981. Worldwide, the foreign production of MNEs surveyed rose 16-18% and was generally accompanied by an increase in the employment shares of foreign operations (ILO 1984).

12. At $1.77 an hour in Spring 1987, South Korean hourly labour costs were in excess of Turkey ($1.28), Thailand ($0.58) and China ($0.23).

13. According to Anson and Simpson (1988:58), the gap in wage costs between the developed countries and the LDCs has widened. In 1984, the ratio between the highest and the lowest paying countries was 43, whereas in 1980 it was 36.

14. In ring spinning and rotor spinning, machine speeds have more than doubled. Yarn preparatory machinery in 1987 had 2.5 times the productive capacity of the available technology in 1967. A state of the art weaving mill has a net output per loom hour 3.35 times more than could be achieved twenty years ago.

15. Faster, shuttleless looms now account for 70% of new machines installed worldwide and well over 95% of new machines installed in the US, EC and Eastern Europe. Most

new spinning machines are microprocessor controlled and linked into integrated automatic systems.

16. The KEDC (1987) report suggests that the total production cycle could be reduced to 4 days - 1 day for spinning, 1 day for knitting, dyeing, finishing, 1 day for cutting/sewing and 1 day for distribution to the retailer.

17. It is estimated (Belussi 1987:33) that the Benetton family owned 500 shops out of a total of 2300 in 1984.

18. State assistance to American textile firms has taken the form of technical assistance, - Government funding of up to 75% of the costs of re-equipment - or financial assistance, such as loan guarantees or direct loans. The Trade Act of 1974 directed loans to industries where increases in imports had contributed to reduced sales or production (OECD 1983:115).

19. The 'Plan Textile' reduced social charges by up to 12% for textile firms in return for commitments on investment and the retention of existing employees. Two thirds of firms took advantage of this provision.

20. Kanebo branched out into cosmetics (now forming 20% of its sales turnover) and Unitika has diversified into several fields including engineering, real estate, and food manufacturing.

21. The largest ten firms in these two countries employ on average 2,000 to 3,000 compared with the tens of thousands more common in other developed countries (eg. US, UK, Japan).

22. One scheme of potential benefit to the textiles industry is the 'Advanced Materials Programme' worth £22 mn. Other schemes are designed to encourage technology transfer from one industrial sector to another.

23. £46 mn. was earmarked in 1985-86, £42 mn over 1987-88 and a further £350 mn. over 1987-91. The EC contributes 50% of the cost of approved projects. All projects must involve industrial firms and partners from more than one EC country.

24. Employment decline in the developed countries has been rapid - EC employment in this sector was 4.5 mn. when the MFA was introduced in 1974. Ten years later employment had fallen by one third to 3 mn. In the USA, textile employment was 980,000 in 1973 and clothing employment 1.4 mn. By 1986, employment levels were 669,000 and 1.1 mn. respectively.

25. Other formal arrangements exist for controlling textile and clothing trade. These include global tariff quota systems operating in Australia and New Zealand; selective regional arrangements such as the '807' provisions for US offshore assembly and the EC's preferential arrangements with African, Caribbean and Pacific countries and a number of Mediterranean countries (eg. Cyprus, Malta, Morocco, Tunisia, Turkey and more recently, Egypt).

26. 'Market disruption' is defined as a sharp increase or a potential increase of imports of particular products; the offering of these products at prices substantially below those prevailing for similar goods of comparable quality in the market of the importing country; or serious damage to domestic producers or the threat of damage.

27. Imports from MFA suppliers grew by more than 20% a year during 1983-84 although imports from other countries (especially Western Europe) grew even faster (Anson and Simpson 1988:126).

28. The change was most evident in the EC. Over 1976-79, the annual volume growth of imports of LDC origin was 4.0%. In the period 1973-76, the annual rate had been 25%.

29. Over 1973-81, the share of developed countries in EC textile imports rose at the expense of LDCs. In the US, the share of the Eastern trading area countries (including China) rose between 1973-81. Since 1981, the LDCs' share in all clothing imports into the EC and USA has declined. In 1975, MFA suppliers accounted for 27.9% of UK imports of textiles and clothing, whilst EC suppliers accounted for 35.3%. By 1985, EC countries increased their share to 5[illegible]% while that of MFA suppliers had fallen to 23.4%.

30. Some writers have linked this phenomenon to shifts in employment from firms registered in the official statistics (eg. census of production surveys) to small firms in the hidden, informal sector of the clothing industry (eg. Mitter

1986). As Mitter (1986:44) indicates, there has been a growth in unregistered firms in the industry and a proliferation of 'sweatshop' conditions. Nevertheless, if these output and employment shifts are unrepresented in official statistics, it is doubtful whether they can be directly connected to fluctuations in the productivity of registered firms in the industry.

31. In terms of a more disaggregated picture, Silberston (1984:45-46) demonstrates that in 1970 imports of cotton yarns were mainly from MFA suppliers but were supplanted in 1982 by the EEC, Portugal, Spain and Turkey with MFA suppliers and China having relatively small import shares. MFA suppliers dominated UK imports of woven cotton fabrics in 1982 although the EEC was of growing importance (import penetration here was 75%). In hosiery and knitwear, imports from MFA countries were important although total import penetration had only reached 32% by 1983. The clothing industry has been more at risk from low cost suppliers than other sectors. In 1983 Hong Kong was the dominant supplier of trousers, woven shirts and dresses but other important suppliers were India (trousers, shirts) South Korea (trousers, blouses and shirts) and Portugal (trousers and shirts).

32. In 1912, 86% of the linear yards of cotton piece goods that the industry produced and 70% (by weight) of the raw cotton that the industry consumed were exported (Lazonick 1985:18/19).

33. From 1946-51, yarn production rose by 50% and cloth production by 56%.

34. The multiple stores' share of retail textile sales rose from 30% to 37% between 1954-64 and by 1967, they accounted for 38% of clothing sales (Briscoe 1971:71). The increasing prominence of retail brand names encouraged textile and clothing manufacturers to introduce their own product brands. This development favoured large firms because they can achieve economies of scale in marketing/advertising and vertical integration facilitates consistent standards of product quality.

35. In 1968, the five firm concentration ratio in the spinning of cotton and manufactured fibres was 50%, up from 37% in 1963 and 32% in 1958. The five firm concentration ratios for weaving also rose from 19.3% to 31.2% for cotton cloth and from 35.8% to 51.9% for synthetic fibre cloth. In hosiery and knitting the main increases in concentration occurred in the production of warp-knitted fabrics and in hosiery, for which the five firm concentration ratio rose from 20% to 43%. Synthetic fibre manufacturers were less involved in the woollen and worsted industries, which showed comparatively little increase in concentration between 1963 and 1968 (cf. Fishwick and Cornu 1975:45-57).

36. Increases in concentration were confined to the largest firms in the industry. As a result of acquisition of other large groups, Coats Paton and Illingworth Morris increased their share of total turnover in the woollen and worsted

industry from about 19% to 30%. The combined share of the ten largest firms in the woollen/worsted industry remained at 60% in 1973 (the same as in 1968). In hosiery and knitting, concentration changed negligibly between 1968-73. In 1968, four firms controlled 53% of turnover and 10 firms just over 72%; in 1973, the two proportions were unchanged. In the cotton industry concentration levels were much greater than in wool: 10 firms controlled 73% of turnover in 1968 and 75% in 1973.

37. There has been financial support for textiles and clothing in one UK region, notably Northern Ireland. This is due to the region's Industrial Development Board, a government funded body formed in 1982. Over the period 1985-88, the Board ploughed £96 mn. (over a third of its budget) into textiles. The Board, in some cases, provides 30% of the cost of new projects or 25% of the cost of reinvestment. Textiles and clothing firms in Northern Ireland employ about 27,000 people, roughly 30% of the manufacturing workforce. The region has one of the highest concentrations of textile and clothing employment in Europe (FT 31.8.88). It is also a favourable location for multinational investment. Coats Viyella employs 4,000 people in 10 plants; Courtaulds has 9 plants and Tootal also has production capacity in the region. Foreign owned companies include the American clothing firms, the Vanity Fair Corporation and Warners. The Board is presently encouraging Far Eastern clothing companies to site factories in Northern Ireland so that they can gain access to the EC market.

38. The major unions in the British textile and clothing industry are the National Union of Tailors and Garment Workers (76,130), the Transport and General Workers Union, Dyers and Bleachers (51,000), the National Union of Hosiery and Knitwear Workers (51,357) and the Textile Division of the General, Municipal and Boilermakers Union (15,000). These unions and a number of smaller textile unions are represented on the TUC Textile, Clothing and Footwear Industries Committee which formulates unified responses to general industry issues, including imports, regulation of trade, sectoral measures, industrial policy etc. The GMB, TGWU, and NUHKW are members of the British Textile Confederation along with representatives of the main textile employers' associations (the BTEF etc.). The principal activity of the BTC 'is the promotion of policies for improving the prosperity of the British textile industry' and it co-operates with other organisations like the British Clothing Industry Association, the Knitting Industries Federation and the TUC Industry committee on issues of particular concern.

39. S.R. Gant, one of the larger Marks and Spencer suppliers, has established a Hong Kong office to source garments from sub-contractors in China, Hong Kong, Sri Lanka and the Philippines (FT 16.3.89).

40. Habitat and Mothercare merged with British Home Stores in 1985 to create Storehouse. This includes Habitat, Heal's, and Conran's in home furnishings; Mothercare, Now, and Richards in clothing and babywear, and BHS. Burton acquired

Debenhams in 1985.

41. An average of five weeks between receiving an order and delivery of the product was reported in the fashion end of the womenswear market.

42. All the manufacturers interviewed by Gibbs (1987) used computer systems for production planning and control. Only one firm, however, had introduced computerised technology for design and manufacturing although a number of companies intended to invest in such machinery in the near future. The non-adoption of such systems was related to their high capital cost.

43. A new branded shirt has also been introduced, called 'Varsity' and in June 1987, Peter England shirts were promoted through an advertising campaign, with the introduction of a new branded range called 'Signature'. Viyella Menswear, another of the company's branded shirt manufacturers, was also heavily advertised during the 1987 trading year. The Viyella brand subsequently increased its share of UK shirt sales from 16% to 66%.

44. These were the Letterkenny polyester filament plant in Eire; the Campsie sheet and workwear factory in Northern Ireland and the Belmont weaving plant in the UK.

45. After the company's failure to give the Labour Government an opening date for the company's new fabric factory at Belmont, Co. Durham, the Government ordered the

immediate repayment of the project's regional development grants. Government grants had accounted for about £6.8 mn. of the total investment of £10.5 mn.

46. Previously, a high proportion of Courtaulds' output of nylon (60%) and polyester (80%) were purchased by Courtaulds' fabric businesses.

47. Comparisons are hindered because the company has reclassified its product divisions on two occasions during the 1980s. The present structure is thus:

Chemical and Industrial Products

Fibres - courtelle; viscose staple; acetate (Yarn)
Chemical and Materials - chemicals; advanced materials; acetate products; non wovens
Coatings - International Paint
Films and Packaging - cellophane; flexible packaging; plastic and specialty films; Batts and Amtico.

Textiles

Spinning; fabrics; clothing
Wholesale and retailing

The definition of Courtaulds' textile activities used in this thesis is broader than Courtaulds own definition because it includes synthetic fibres.

48. The company's South African and Swazi woodpulp interests were sold in 1988. The company uses woodpulp in viscose fibres, cellophane and paper packaging.

49. Courtaulds used Pta 50 mn. of aid from the Spanish Government on a fully automated warehouse.

50. In the financial year 1987-88, Courtaulds' three acrylic plants were operating below capacity and profits from Courtelle fell by £35 mn. (ie. from £278 mn. to £243 mn.). This was due to a decline in demand from Western European textile firms attributable to a shift away from knitwear towards more tailored clothing; a slump in the sale of brand knitting yarn, and currency movements, particularly the rise in the value of sterling.

51. Courtaulds has taken a firm stand with its major customers in France by refusing to reduce the price of its acrylic fibre. This is part of a battle with its customers over the distribution of added value and profits.

52. Capital investment expenditure over 1985-88 equalled £119 mn.; 1985-86, £31 mn.; 1986-87, £39 mn. and 1987-88, £49 mn.

53. Its dependence on Marks and Spencer is revealed below:-

a) Underwear 77% Contract - 46% Marks and Spencer
23% Branded - Gossard, Kayser, Berlei.

The Group has over 30% of Marks and Spencer's business in this area and is its major supplier.

b) Outerwear 97% contract - 43% to Marks and Spencer
3% branded - Brettles etc.

c) Knitwear 44% contract - 34% to Marks and Spencer
56% branded - Lyle and Scott, Wolsey

54. The case study of Courtaulds Hosiery was based on interviews during the summer of 1987 and were conducted with

the following:

S. Spencer - Personnel Manager, Courtaulds Hosiery.

Margaret Bradley - Senior Shop Steward, Courtaulds Hosiery.

P.J.S. Hutton - District Secretary, Ilkeston district of the National Union of Hosiery and Knitwear Workers (NUHKW)

W. Nage - Assistant District Secretary, Ilkeston district of the NUHKW

P. Lowman - National Research Officer, NUHKW

55. Duffy (1985:72) argues that the NUHKW had shown a marked disinterest in equal value legislation, particularly in using it as a test case to re-evaluate female jobs in the industry.

56. The case study of the re-equipment of Maple Mill (2), Courtaulds Spinning was based on interviews during the summer of 1986 and 1987 and were conducted with the following;

M. Parker - Managing Director, Courtaulds Spinning

B. Iveson - Personnel Director, Courtaulds Spinning

D. Dear - Personnel Manager, Courtaulds Spinning

D. Whitehead - General Manager, Maple Mill

Doreen Broadbent - Factory Personnel Manager, Maple Mill

J. Baines - General Manager, Cotton Yarns Group, Courtaulds Spinning

R. Bosse - Head Overlooker, Maple Mill (2)

N. Walsh - GMB Shop Steward, Maple Mill (2)

B. Trotter - General Secretary, GMB Textile Division

P. Jenner - District Official, GMB Textile Division

J. Brown - General Secretary, Amalgamated Textile Workers' Union

J. Martin - District Official, ATWU

87. In 1986, the average lowest basic rate stipulated by Courtaulds Spinning was £73.38 for a 37.5 hour week. By 1988, this had generally risen to £88.60.

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